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Application Proof of

Guangxi Yuchai Marine and Genset Power Co., Ltd.*

廣西玉柴船電動力股份有限公司

(the “Company”)

(A joint stock company incorporated in the People’s Republic of China with limited liability)

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Guangxi Yuchai Marine and Genset Power Co., Ltd.*

廣西玉柴船電動力股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under : [REDACTED] H Shares (subject to the
the [REDACTED] [REDACTED])

Number of [REDACTED] : [REDACTED] H Shares (subject to
reallocation)

Number of [REDACTED] : [REDACTED] H Shares (subject to
reallocation and the [REDACTED])

[REDACTED] : HK\$[REDACTED] per H Share, plus
brokerage of 1.0%, SFC transaction levy of
0.0027%, AFRC transaction levy of
0.00015% and Stock Exchange trading fee
of 0.00565% (payable in full on application
in Hong Kong dollars and subject to refund)

Nominal value : [RMB1.00] per H Share
[REDACTED]

Joint Sponsors, [REDACTED], [REDACTED],
[REDACTED] and [REDACTED]

CMS  **招商證券國際**

 **中國銀河國際**
CHINA GALAXY INTERNATIONAL

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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company on the [REDACTED]. The [REDACTED] is expected to be on or before [REDACTED] and, in any event, no later than 12:00 noon on [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] (for themselves and on behalf of the [REDACTED]) and we are unable to reach an agreement on the [REDACTED] on or before 12:00 noon on [REDACTED], the [REDACTED] will not proceed and will lapse.

Applicants for [REDACTED] may be required to pay, on application (subject to application channels) the [REDACTED] of HK\$[REDACTED] for each Hong Kong [REDACTED] together with brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.

The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, where considered appropriate and with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] range below that stated in this document (which is HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]) at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction will be posted on the website of the Stock Exchange at www.hkexnews.hk and our website at www.yuchaicd.com not later than the morning of the last day for lodging applications under the [REDACTED]. See “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” in this document for further details.

Prior to making an [REDACTED] decision, [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in the section headed “Risk Factors” in this document.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain events occur prior to 8:00 a.m. on the [REDACTED]. See “[REDACTED]” in this document.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be [REDACTED], sold, pledged or transferred within the United States, except pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold solely outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

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[REDACTED]

[REDACTED]

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[REDACTED]

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IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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IMPORTANT NOTICE TO [REDACTED]

This document is issued by us solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an [REDACTED] or a solicitation of an [REDACTED] to buy any security other than the [REDACTED] by this document pursuant to the [REDACTED]. This document may not be used for the purpose of making, and does not constitute, an [REDACTED] or [REDACTED] in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a [REDACTED] and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

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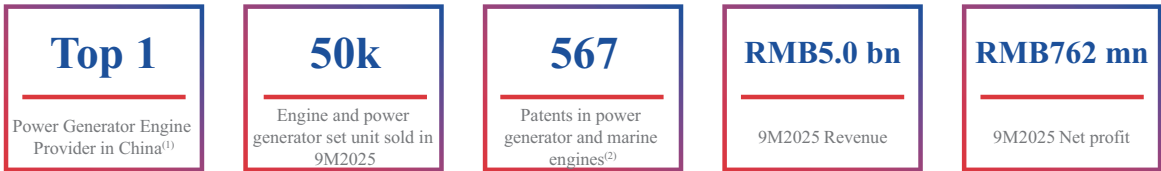
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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document, including our financial statements and the accompanying notes, in its entirety before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully in full before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

We are a leading power generation solution provider. According to Frost & Sullivan, we are the largest power generator engine provider in China, based on sales revenue of power generator engines in China in 2024. We are also a leading marine engine provider in China, ranking second in terms of sales revenue of medium- and high-speed marine engines in China in 2024, according to Frost & Sullivan. We design, develop, manufacture and sell power generator engines, marine engines, power generator sets and engine components, serving a wide array of markets across the economy, including data center, distributed power station, infrastructure construction, telecommunications, healthcare, mining, agriculture, oil & gas and vessel transportation and operation sectors. We primarily conduct our business in China and maintain overseas sales teams for sales of our products to Europe, Middle East, Africa, Asia and South America. The chart below demonstrates the highlights of our business:



- Notes:
- (1) In terms of sales revenue of power generator engines in China in 2024, according to Frost & Sullivan.
 - (2) As of September 30, 2025.

Our Milestones

Our history traces back to 1951, when Yulin Quantang was established in Yulin, Guangxi to produce agricultural machinery and equipment. Yulin Quantang was developed and subsequently restructured as GY in 1992, with its engine and machinery business transferred into its then newly set-up subsidiary GYMCL. In 2015, a dedicated marine and genset power division was set up by GYMCL, which focused on the development, manufacture and sale of power generators and marine engines. In 2022, GYMCL injected the marine and genset power business into our Company. Since then, we have been consistently focusing on independent research and development, product innovation, engineering excellence, and have built the GYMGP brand recognized by global customers.

SUMMARY

The following is a summary of our Group’s key business development milestones:

Year	Milestone
1951	Yulin Quantang was established in Yulin, Guangxi, which principally engaged in the production of agricultural machinery and equipment.
1992	Yulin Quantang was developed and restructured as GY, and subsequently transferred its engine and machinery business into its newly set-up subsidiary, GYMCL.
1993	GYMCL introduced foreign investors including the holding company of HLA and became a sino-foreign company. Through a series of restructurings, CYI was established, and HLA become the controlling shareholder of CYI. Through its six wholly owned subsidiaries, CYI then become the controlling shareholder of GYMCL which held 76.41% of its equity interest.
1994	CYI was listed on the NYSE.
2015	GYMCL established a dedicated marine and genset power division which focused on the design, development, manufacture and sale of power generator engines and marine engines.
2016	One of our major power generator engine series, YC16VC, was launched.
2017	- Guangxi Yuchai Deyou Power Generator Limited Company (廣西玉柴德優發動機有限公司) (the former name of our Company) was established in the PRC as a subsidiary of GYMCL. - MTU Yuchai, a 50–50 joint venture between GYMCL and Rolls-Royce Solutions GmbH (a subsidiary of Rolls-Royce Power Systems AG) focusing on the production of <i>mtu</i> Series 4000 diesel engines, was incorporated.
2021	Guangxi Yuchai Deyou Power Generator Limited Company (廣西玉柴德優發動機有限公司) changed its name to Guangxi Yuchai Marine and Genset Power Co., Ltd* (廣西玉柴船電動力有限公司).
2022	With the continued growth of the marine and genset power division and a positive market outlook, GYMCL’s marine and genset business was injected into our Company.
2025	The Company converted into a joint stock limited liability company under the laws of the PRC, and the Chinese name of our Company changed from “廣西玉柴船電動力有限公司” to “廣西玉柴船電動力股份有限公司”.

SUMMARY

Our Brand and Product Portfolio

Our product portfolio primarily encompasses power generator engines and marine propulsion and auxiliary engines. Our power generator engine products are engineered and manufactured to achieve outstanding performance, featuring high power output, high reliability, and low emissions, which continuously powers the operation and growth of our end customers. We also provide power generator sets and, to a small scale, engine components and certain engine-related services.

We primarily offer “Yuchai” branded products and have gained customer recognition through diversified product offerings over the years. We also provide *mtu* branded products produced by MTU Yuchai, our joint venture with Rolls-Royce, to further broaden coverage of high-end customers. Through this dual-brand strategy, we are able to address the differentiated needs and preferences of customers.

The table below sets forth a breakdown of our revenue by product type for the years/periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Power generator engines	2,457,201	75.8	3,052,467	76.4	2,322,595	78.3	3,435,024	69.1
Large engines	853,339	26.4	1,374,107	34.5	1,036,152	35.0	1,932,204	38.9
Heavy-duty engines	943,006	29.0	864,381	21.6	673,430	22.7	692,667	13.9
Medium- to light-duty engines	660,856	20.4	813,979	20.3	613,013	20.6	810,153	16.3
Marine propulsion and auxiliary engines	481,183	14.9	476,999	11.9	369,048	12.4	477,014	9.6
Power generator sets	114,769	3.6	113,234	2.8	60,881	2.0	335,628	6.8
Engine components and others	185,855	5.7	357,096	8.9	215,347	7.3	719,533	14.5
Total	3,239,008	100.0	3,999,796	100.0	2,967,871	100.0	4,967,199	100.0

MARKET AND OPPORTUNITIES

Our Go-to-Market Approach

We sell our products to original equipment manufacturers (OEMs), end users and distributors worldwide. Our direct customers are primarily OEMs who assemble our power generator engines together with other components into power generator sets for sales, and end users of power generator sets in a wide array of industries. In addition, we sell our marine propulsion and auxiliary engines primarily through distributors. We primarily serve our customers through an extensive service network of more than 1,000 authorized service stations and are capable of providing 24/7 rapid response.

SUMMARY

Our Globalization Efforts

We strive to expand our global footprint. During the Track Record Period, our overseas sales increased by 78.4% from RMB120.2 million in 2023 to RMB214.4 million in 2024, contributing 5.4% of our total revenue in 2024. As of the Latest Practicable Date, our overseas sales teams covered Europe, Middle East, Africa, Asia and South America.

Our Global Opportunities

Since our inception, we have continually grown our customer base and gained customer recognition in China. We have strategically begun developing international markets and successfully achieved a foothold in several key markets.

We see substantial global opportunities ahead, underpinned by rapid capacity expansion in data centers driven by the AI revolution, the wider adoption of distributed power stations, the continued advancement of infrastructure construction and a tight supply of power generator engines. According to Frost & Sullivan, the size of the global power generator engine market is expected to grow from approximately RMB55.9 billion in 2024 to RMB143.8 billion in 2030, with a CAGR of 17.1% from 2024 to 2030; and the size of Chinese power generator engine market is expected to grow from approximately RMB14.7 billion in 2024 to RMB41.5 billion in 2030, with a CAGR of 18.9% from 2024 to 2030. In particular, AI data centers, as the core carriers of computing-power infrastructure, are expanding rapidly in market size. As demand for AI data centers is increasing significantly, reliance on highly reliable infrastructure has likewise increased and, in turn, has driven robust growth in demand for power generator engines. According to Frost & Sullivan, the size of the global market of power generator engines for data centers is expected to grow from approximately RMB30.0 billion in 2024 to RMB101.8 billion in 2030, with a CAGR of 22.6% from 2024 to 2030.

OUR STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiate us from our competitors.

- Leading power generation solution provider in China
- Comprehensive and highly competitive product portfolio
- Systematic, proprietary and forward-looking R&D capabilities
- Engineering excellence across the entire value chain
- Extensive sales and service network and expanding global footprint
- Visionary management team with proven track record of innovation

See “Business — Our Competitive Strengths” in this document.

SUMMARY

OUR STRATEGIES

We intend to pursue the following strategies to further grow our business.

- Deepen penetration in core applications to solidify market leadership
- Enrich product portfolio to cover full-scenario power demands
- Fortify technological R&D to consolidate core technological barriers
- Expand production capacity and optimize supply chain to strengthen operational support
- Accelerate global footprint expansion and construct an end-to-end global service network

See “Business — Our Strategies” in this document.

SUPPLY CHAIN

We primarily procure components for our production of engines and power generator sets. The key components procured by us include principally cylinder block rough castings, cylinder head rough castings, crankshafts, camshafts, pistons, connecting rods, turbochargers, fuel injection pumps, fuel injectors and water pumps. To complement our product portfolio and meet customer demand, we also procure finished engines and power generator sets for sales to our customers.

Our suppliers are primarily providers of components and engines and OEMs of power generator sets based in China. We carefully select our suppliers and require them to satisfy various assessment criteria. All potential suppliers must pass our internal supplier admission standard before entering into our qualified supplier list. We also carry out regular reviews of qualified suppliers.

In 2023 and 2024 and the nine months ended September 30, 2025, purchases from our five largest suppliers amounted to RMB1,328.3 million, RMB1,585.9 million and RMB1,656.5 million, representing 47.4%, 44.4% and 39.8% of our total amount of purchase for the respective periods, respectively.

SALES AND CUSTOMERS

We have established both a national and international sales and service network and dedicated sales teams to serve our customers globally. As of September 30, 2025, our sales and service network consisted of our headquarters, 13 regional sales centers in major geographic regions in China and five overseas business divisions for covering Europe, Middle East, Africa, Asia and South America.

Our sales model combines direct sales and distribution channels. We primarily market and sell power generator engines directly to OEMs who assemble our engines into power generator sets and sell to end users. We also market and sell power generator sets directly to end users, including leading internet technology companies and telecommunication operators. To a lesser extent, we directly sell our marine propulsion and auxiliary engines to OEMs. We primarily sell marine propulsion and auxiliary engines and, to a lesser extent, power generator engines and power

SUMMARY

generator sets through the established networks of our distributors across China and overseas. Our distributors are primarily mechanical and electrical companies and trading companies with established local customer bases.

In 2023 and 2024 and the nine months ended September 30, 2025, sales to our five largest customers amounted to RMB1,088.7 million, RMB1,135.8 million and RMB1,691.9 million, representing 33.6%, 28.4% and 34.1% of our total revenue for the respective periods, respectively.

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was owned as to approximately 93.46% by GYMCL, and approximately 6.54% by the Limited Partnership Platforms which have been acting in concert with GYMCL based on their respective partnership agreements. Immediately following the completion of the [REDACTED] (assuming no exercise of the [REDACTED]), GYMCL will hold approximately [REDACTED]% of the total issued share capital of our Company.

As of the Latest Practicable Date, GYMCL was owned as to 76.41% by CYI through six intermediate holding companies, all of which are wholly-owned by CYI, including HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH, and Youngstar. CYI, whose shares are listed on NYSE, was held as to 26.75% by public shareholders, 20.09% by GY Entities, 4.46% by Shah Capital Management, Independent Third Party, and 48.70% by HLA through Hong Leong (China) Limited, HL Technology Systems Pte. Ltd. and Well Summit Investments Limited. In addition, HLA beneficially owns a special share in CYI through its subsidiaries that entitles it to elect a majority of directors in CYI and no shareholders’ resolution may be passed without the affirmative vote of the special share.

Immediately following the completion of the [REDACTED], GYMCL, HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH, Youngstar, CYI, HL Technology Systems Pte. Ltd., Hong Leong (China) Limited, Well Summit Investments Limited, HLA, and the Limited Partnership Platforms will constitute a group of Controlling Shareholders under the Listing Rules.

See “Relationship with Our Controlling Shareholders” in this document for further details.

CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions with our Controlling Shareholder, GYMCL and its associates (excluding our Group) that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the [REDACTED]. Accordingly, we have applied to the Stock Exchange for and the Stock Exchange [has granted], waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. See “Connected Transactions” in this document.

SUMMARY

SUMMARY KEY FINANCIAL INFORMATION

Summary of Our Consolidated Statements of Profit or Loss

The table below sets forth a summary of our consolidated statements of profit or loss for the periods indicated derived from the Accountants’ Report included in Appendix I and the Unaudited Interim Condensed Consolidated Financial Information included in Appendix IA to this document.

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000 (unaudited)	% of Revenue	RMB'000 (unaudited)	% of Revenue
Revenue	3,239,008	100.0	3,999,796	100.0	2,967,871	100.0	4,967,199	100.0
Cost of sales	(2,513,481)	(77.6)	(3,063,374)	(76.6)	(2,282,098)	(76.9)	(3,784,608)	(76.2)
Gross profit	725,527	22.4	936,422	23.4	685,773	23.1	1,182,591	23.8
Other income and gains	19,660	0.6	36,994	0.9	21,678	0.7	56,325	1.1
Research and development expenses	(211,962)	(6.5)	(285,472)	(7.1)	(179,817)	(6.1)	(265,662)	(5.3)
Selling and distribution expenses	(106,683)	(3.3)	(116,799)	(2.9)	(80,875)	(2.7)	(111,399)	(2.2)
Administrative expenses	(59,938)	(1.9)	(64,544)	(1.6)	(33,517)	(1.1)	(63,605)	(1.3)
Other expenses	(1,357)	(0.1)	(2,348)	(0.1)	(1,367)	(0.0)	(2,551)	(0.1)
Finance costs	(11,098)	(0.3)	(7,548)	(0.2)	(5,675)	(0.2)	(7,371)	(0.1)
Share of profits of a joint venture	75,060	2.3	86,112	2.2	66,701	2.2	89,651	1.8
Profit before tax	429,209	13.2	582,817	14.6	472,901	15.9	877,979	17.7
Income tax expenses	(33,328)	(1.0)	(47,001)	(1.2)	(44,295)	(1.5)	(116,011)	(2.3)
Profit for the year/period	395,881	12.2	535,816	13.4	428,606	14.4	761,968	15.4

During the Track Record Period, we experienced significant growth in our operating results. We recorded revenue of RMB3,239.0 million, RMB3,999.8 million, RMB2,967.9 million and RMB4,967.2 million, for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively. Our gross profit was RMB725.5 million, RMB936.4 million, RMB685.8 million and RMB1,182.6 million respectively, for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, and our net profit was RMB395.9 million, RMB535.8 million, RMB428.6 million and RMB762.0 million, respectively, for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025.

SUMMARY

During the Track Record Period, we generated our revenue mainly from sales of products in Chinese mainland. The following table sets forth a breakdown of our revenues by region for the years/periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Chinese mainland	3,118,778	96.3	3,785,372	94.6	2,840,138	95.7	4,751,855	95.7
Overseas	120,230	3.7	214,424	5.4	127,733	4.3	215,344	4.3
Total	3,239,008	100.0	3,999,796	100.0	2,967,871	100.0	4,967,199	100.0

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000 (unaudited)	Gross Profit Margin %	Gross Profit RMB'000 (unaudited)	Gross Profit Margin %
Power generator engines	560,933	22.8	745,397	24.4	553,953	23.9	852,352	24.8
Large engines	217,333	25.5	415,532	30.2	289,977	28.0	608,158	31.5
Heavy-duty engines	315,013	33.4	275,999	31.9	221,553	32.9	198,243	28.6
Medium- to light-duty engines	28,587	4.3	53,866	6.6	42,423	6.9	45,951	5.7
Marine propulsion and auxiliary Engines	124,854	25.9	124,312	26.1	94,967	25.7	101,635	21.3
Power generator sets	7,732	6.7	5,396	4.8	8,484	13.9	135,515	40.4
Engine components and others	32,008	17.2	61,317	17.2	28,369	13.2	93,089	12.9
Total	725,527	22.4	936,422	23.4	685,773	23.1	1,182,591	23.8

SUMMARY

Summary of Our Consolidated Balance Sheets

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Total non-current assets	763,773	844,152	1,007,446
Total current assets	3,187,779	4,110,526	6,366,986
Total assets	3,951,552	4,954,678	7,374,432
Total non-current liabilities	16,434	24,798	118,511
Total current liabilities	2,619,463	3,189,460	4,912,785
Total liabilities	2,635,897	3,214,258	5,031,296
Total equity	1,315,655	1,740,420	2,343,136

Summary of Our Consolidated Statement of Cash Flows

The following table sets forth our selected cash flow data for the periods indicated.

	Year Ended December 31,		Nine Months Ended September 30,	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Net cash flows generated from/(used in) operating activities	398,602	453,382	(16,398)	845,848
Net cash flows used in investing activities	(38,978)	(98,424)	(63,502)	(18,134)
Net cash flows (used in)/generated from financing activities	(24,351)	(200,426)	137,811	(111,632)
Net increase in cash and cash equivalents	335,273	154,532	57,911	716,082
Cash and cash equivalents at beginning of year/period	394,693	730,071	730,071	885,866
Effect of foreign exchange rate changes, net	105	1,263	1,198	2,193
Cash and cash equivalents at end of year/period	730,071	885,866	789,180	1,604,141

SUMMARY

Key Financial Ratios

The following table sets forth our selected financial indicators for the periods and as of the dates indicated.

	Year ended/As of December 31,		Nine Months ended/ As of September 30,
	2023	2024	2025
Gross profit margin	22.4%	23.4%	23.8%
Net profit margin	12.2%	13.4%	15.4%
Current ratio ⁽¹⁾	1.2	1.3	1.3
Quick ratio ⁽²⁾	0.7	0.8	1.0
Debt-to-asset ratio ⁽³⁾	66.7%	64.9%	68.2%

Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as of the end of the year/period.
- (2) Quick ratio is calculated by dividing current assets minus inventories by current liabilities as of the end of the year/period.
- (3) Debt-to-asset ratio, expressed as a percentage, is calculated by dividing total liabilities by total assets as of the end of the year/period and then multiplied by 100%.

KEY RISK FACTORS

Our business and the [REDACTED] involve certain risks, many of which are beyond of our control. For details, see “Risk Factors” in this document. A summary of key risk factors is set forth below.

- Our performance is subject to the fluctuations of demands for our products from end-users in the downstream sectors we serve. Slowdown in the growth of these downstream sectors could adversely affect our business, financial condition and results of operations.
- Our technologies and products may become obsolete. If we are unable to continually improve our existing technologies and products, develop new technologies and products or successfully enter other markets, we may lose our competitiveness.
- Our research and development efforts may not yield the results as expected, and we may fail to maintain and grow our research and development capability.
- We have, and will continue to have, significant business relationships with the Related Parties. Any material changes in our relationships with the Related Parties would have a material adverse impact on our business, financial condition and results of operations.
- Failure to maintain effective control over the quality of our products could adversely affect our reputation and brand image, lead to product returns or recalls and production liability claims and result in losses of customers and market share.

SUMMARY

- We face intense market competition in our industry, and we may not be successful in effectively competing with our competitors, particularly large international engine and power generator set companies and major Chinese players in our industry.
- We depend on and expect to continue to depend on our major customers for a significant percentage of our sales.
- We have a limited history as an independently operated company, and our historical growth rate may not be indicative of our future performance.
- Our financial condition, results of operations, business or prospects may be adversely affected to the extent we are unable to continue our sales growth and business expansion.
- We may not be able to continue to use the “Yuchai” trademarks, or ensure the continued strength of the “Yuchai” trademarks

See “Risk Factors” in this document for further details.

DIVIDEND

During the Track Record Period, we declared and paid a dividend of RMB200.0 million in the year ended December 31, 2024, and declared and paid a dividend of RMB175.0 million in September 2025. In November 2025, we declared and paid a dividend of RMB250.0 million. We currently do not have any specific dividend policy nor any predetermined dividend payout ratio. The declaration of and payment of any dividend in the future will be determined by our Directors and subject to our Articles of Association, the PRC Company Law and other applicable laws and regulations, and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that it is required to make, as determined in accordance with its articles of association and the accounting standards and regulations in China. There is no assurance that dividends of such amount or any amount will be declared or distributed by us in any year.

SUMMARY

[REDACTED] STATISTICS

The statistics in the following table are based on the assumption that (i) the [REDACTED] has been completed and [REDACTED] [REDACTED] are [REDACTED] in the [REDACTED], (ii) [REDACTED] H Shares are in issue upon completion of the [REDACTED], and (iii) the [REDACTED] is not exercised.

	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]
[REDACTED] of our H Shares ⁽¹⁾	[REDACTED]	[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at September 30, 2025 ⁽²⁾	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation of [REDACTED] is based on the assumption that [REDACTED] H Shares expected to be in issue immediately following the completion of the [REDACTED] (including [REDACTED] H Shares to be converted from Unlisted Shares and [REDACTED] new H Shares to be [REDACTED] under the [REDACTED], and assuming the [REDACTED] is not exercised).
- (2) The unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share are arrived at after adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] shares are in issue, without taking into account of any shares which may be [REDACTED] upon the exercise of the [REDACTED]. For details, see “Appendix II — Unaudited [REDACTED] Financial Information” in this document.

FUTURE PLANS AND [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately [REDACTED] (after deducting the [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED], and assuming the [REDACTED] of [REDACTED] per Share, being the mid-point of the indicative range of the [REDACTED] of [REDACTED] to [REDACTED] per Share and assuming the [REDACTED] is not exercised.

We intend to use the [REDACTED] that we will receive from [REDACTED] for the following purposes:

1. approximately [REDACTED] of the [REDACTED], or [REDACTED], will be allocated to the construction of two machining lines and assembly and testing lines;
2. approximately [REDACTED] of the [REDACTED], or [REDACTED], will be used for the enhancement of existing product series and research and development of four new product series;

SUMMARY

3. approximately [REDACTED] of the [REDACTED], or [REDACTED], will be used for strategic [REDACTED]ments in, or acquisitions of, business opportunities in companies or entering into joint venture with companies within our core component supply chain; and
4. approximately [REDACTED] of the [REDACTED], or [REDACTED], will be used for working capital and general corporate purposes.

See “Future Plans and [REDACTED] — [REDACTED]” in this document for further information.

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] commissions, and other fees incurred in connection with the [REDACTED]. The estimated total [REDACTED] (based on the mid-point of the [REDACTED] range and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately [REDACTED] (equivalent to approximately [REDACTED]), accounting for approximately [REDACTED]% of our gross [REDACTED]. The estimated total [REDACTED] expenses consist of (i) [REDACTED]-related expenses (including but not limited to commissions and fees) of approximately [REDACTED] (approximately [REDACTED]), and (ii) non-[REDACTED] related expenses of approximately [REDACTED] (approximately [REDACTED]), which consist of fees and expenses of legal advisors and Reporting Accountants of approximately [REDACTED] (approximately [REDACTED]), and other fees and expenses of approximately [REDACTED] (approximately [REDACTED]). During the Track Record Period, we did not incur any [REDACTED] expenses. We expect to incur [REDACTED] expenses of approximately [REDACTED] (equivalent to approximately [REDACTED]) which is expected to be charged in profit or loss subsequent to the Track Record Period. Approximately [REDACTED] (equivalent to [REDACTED]) of the estimated [REDACTED] expenses is directly attributable to the [REDACTED] of [REDACTED] and will be recognized as a deduction in equity directly upon the [REDACTED]. This calculation is subject to adjustments based on the actual amount incurred or to be incurred.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

In line with our strategy to deepen our penetration in the high-end power generation and marine markets, in October 2025, we successfully launched our YC16VTF series engine, a new-generation high-speed, high-power engine with a maximum rated power of 3,971 kW and achieved technology breakthroughs in terms of enhanced performance and reduced weight. With its modular design, the YC16VTF series engine can be expanded to a variety of applications in the future, further enriching our product portfolio.

Our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since September 30, 2025, being the end date of our latest consolidated financial statements as set out in the Accountants’ Report included in Appendix I and the Unaudited Interim Condensed Consolidated Financial Information included in Appendix IA to this document, and up to the date of this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this document.

“Accountants’ Report”	the accountants’ report of our Company prepared by Ernst & Young, details of which are set out in Appendix I
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on [●] with effect from the [REDACTED], and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III — Summary of Articles
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“BIS”	Bureau of Industry and Security
“Board” or “our Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Cathay Diesel Holdings”	Cathay Diesel Holdings Ltd. a limited liability company incorporated in the Cayman Islands on March 30, 1993, and one of our Controlling Shareholders

[REDACTED]

[REDACTED]

DEFINITIONS

“China”, “Chinese mainland” or “PRC”	the People’s Republic of China which, for the purpose of this document and for geographical reference only, excluding Hong Kong, Macao Special Administrative Region of the People’s Republic of China, and Taiwan Region
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “the Company”, or “GYMGP”	Guangxi Yuchai Marine and Genset Power Co., Ltd.* (廣西玉柴船電動力股份有限公司), a limited liability company established in the PRC on January 10, 2017 and converted into a joint stock company with limited liability on 31 December, 2025
“Compliance Advisor”	Anglo Chinese Corporate Finance, Limited
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to GYMCL, HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH, Youngstar, CYI, HL Technology Systems Pte. Ltd., Hong Leong (China) Limited, Well Summit Investments Limited, HLA, Yulin Dayingjia, Yulin Changyingjia and Yulin Zhongli. See “Relationship with Our Controlling Shareholders” in this document for details
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“CSDCC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)

DEFINITIONS

“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“CYI”	China Yuchai International Limited, an exempted company incorporated in Bermuda with limited liability on April 29, 1993, whose shares are listed on the NYSE with the stock code of CYD, and one of our Controlling Shareholders
“CYI Group”	CYI and its subsidiaries from time to time
“Director(s)” or “our Director(s)”	the director(s) of our Company
“Dr. Huang”	Dr. Huang Yongzhong (黃永仲), an executive Director and chief technology officer of our Company
“EAR”	the Export Administration Regulations, 15 C.F.R. Parts 730–774, as administered by the U.S. Department of Commerce, Bureau of Industry and Security
“Earnest Assets”	Earnest Assets Limited, a limited liability company incorporated in the British Virgin Islands on May 16, 1994, and one of our Controlling Shareholders
“EIT”	the PRC enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“ESG Committee”	the environmental, social and governance committee of the Board
“EU”	the European Union

[REDACTED]

DEFINITIONS

“Extreme Conditions”	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale seriously affects the working public’s ability to resume work or brings safety concern for a prolonged period
	[REDACTED]
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an Independent Third Party
“Frost & Sullivan Report”	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this document
	[REDACTED]
	[REDACTED]
“Group”, “our Group”, “our”, “we” or “us”	our Company and all of its subsidiaries from time to time
“GSGH”	Goldman Sachs Guangxi Holdings (BVI) Ltd., a limited liability company incorporated in the British Virgin Islands on March 29, 1993, and one of our Controlling Shareholders
“Guide for New Listing Applicants”	the Guide for New Listing Applicants, as published by the Hong Kong Stock Exchange as amended, supplemented or otherwise modified from time to time
“Guangxi SASAC”	The State-owned Assets Supervision and Administration Commission of the State Council of the People’s Government of Guangxi Zhuang Autonomous Region* (廣西壯族自治區國有資產管理委員會)
“GY”	Guangxi Yuchai Machinery Group Co., Ltd. (廣西玉柴機器集團有限公司), a limited liability company incorporated in the PRC in August 1992. As at the Latest Practicable Date, it is controlled by Guangxi SASAC

DEFINITIONS

“GY Entities”	GY and its subsidiaries from time to time
“GYMCL”	Guangxi Yuchai Machinery Co., Ltd. (廣西玉柴機器股份有限公司), a joint stock company with limited liability incorporated in the PRC in August 1992, and one of our Controlling Shareholders
“GYMCL Connected Persons”	GYMCL and its associates but excluding our Group
“GYMCL Group”	GYMCL and its subsidiaries but excluding our Group
“GYMCL Related Parties”	GYMCL and such subsidiaries and joint ventures of GYMCL who are our related parties under IFRS and referred to in the Accountants’ Report
“HLA”	Hong Leong Asia Ltd. (豐隆亞洲有限公司), a limited liability company incorporated in Singapore on August 30, 1963, whose shares are listed on the main board of the Singapore Stock Exchange with the stock code of H22, and one of our Controlling Shareholders
“HLA Group”	HLA, together with its subsidiaries from time to time
“H Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be [REDACTED] and [REDACTED] in HK dollars and [REDACTED] on the Hong Kong Stock Exchange
	[REDACTED]
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

[REDACTED]

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong” or “HK” the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“Hong Kong Takeovers Code” or the Codes on Takeovers and Mergers and Share Buy-backs
“Takeovers Code” issued by the SFC, as amended, supplemented or otherwise
modified from time to time

[REDACTED]

DEFINITIONS

[REDACTED]

“HLTS”	Hong Leong Technology Systems (BVI) Ltd., a limited liability company incorporated in the British Virgin Islands on March 31, 1993, and one of our Controlling Shareholders
“IFRS”	the International Financial Reporting Standards
“Independent Customers”	customers other than the Related Parties
“Independent Third Party(ies)”	any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Hong Kong Listing Rules

[REDACTED]

“International Sanctions Legal Advisor”	King & Wood Mallesons, our legal advisor as to international sanctions laws in respect of international sanctions risk analysis

[REDACTED]

DEFINITIONS

[REDACTED]

“Joint Sponsors”	the joint sponsors of the [REDACTED] as named in the section headed “Directors and Parties Involved in the [REDACTED]” in this document
“Latest Practicable Date”	January 20, 2026 being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
“Limited Partnership Platforms”	Yulin Changyingjia, Yulin Zhongli and Yulin Dayingjia

[REDACTED]

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Ministry of Finance” or “MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MTU Yuchai”	MTU Yuchai Power Co., Ltd. (玉柴安特優動力有限公司), a limited liability company established in the PRC on January 18, 2017, and a 50-50 joint venture between our Company and Rolls-Royce
“Mr. NF Chan”	Mr. Chan Ngai Fan (陳毅奮), an independent non-executive Director
“Mr. Chen”	Mr. Chen Hai (陳海), our non-executive Chairman of the Board and a non-executive Director
“Mr. Fan”	Mr. Fan Hao (范皓), an independent non-executive Director
“Mr. Lu”	Mr. Lu Yuming (陸玉明), an executive Director and chief financial officer of our Company
“Mr. Ning”	Mr. Ning Xingyong (寧興勇), an executive Director and general manager of our Company
“Mr. Neo”	Mr. Neo Poh Kiat (梁寶吉), a non-executive Director
“Ms. Fan”	Ms. Fan Conghui (范叢慧), an independent non-executive Director
“Ms. Mak”	Ms. Mak Sin Ki (麥善琪), a joint company secretary of our Company
“Ms. Su”	Ms. Su Minghong (蘇鳴紅), a non-executive Director
“Ms. Ye”	Ms. Ye Yashi (葉雅詩), a joint company secretary of our Company
“Nanyue Fuel Injection”	Nanyue Fuel Injection Systems Co., Ltd (南岳電控(衡陽)工業技術股份有限公司) a limited liability company established in the PRC on January 2, 1994 and converted into a joint stock company with limited liability on June 3, 2015

DEFINITIONS

“Nanyue Fuel Injection Group”	Nanyue Fuel Injection together with its subsidiaries from time to time and which became an associate of GYMCL and one of our connected persons since December 30, 2025
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Board
“NYSE”	the New York Stock Exchange

[REDACTED]

DEFINITIONS

“Overseas Listing Trial Measures”	The Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023, which became effective on March 31, 2023, as amended, supplemented or otherwise modified from time to time
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	generally accepted accounting principles in the PRC
“Primary Sanction”	U.S. sanctions applicable to U.S. persons or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving goods subject to the United States EAR, even if performed by non-U.S. persons)
[REDACTED]	
“R&D”	research and development
“Regulation S”	Regulation S under the U.S. Securities Act
“Related Parties”	GY Entities, the GYMCL Related Parties and MTU Yuchai, being those entities who are our related parties under IFRS and referred to in the Accountants’ Report
“Relevant Sanctions Jurisdictions”	any jurisdiction that is relevant to our Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation
“Remuneration Committee”	the remuneration committee of our Board
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Rolls-Royce”	Rolls-Royce Solutions GmbH, a company incorporated in Germany with limited liability in 1909, and a subsidiary of Rolls-Royce Power Systems AG
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“Sanctioned Country”	Any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Sanctions Jurisdiction
“Sanctioned Target”	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Sanctions Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Sanctions Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
“Secondary Sanctions”	U.S. sanctions applied extra-territorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus
“SDN”	the persons or entities designated on the Specially Designated Nationals and Blocked Persons List maintained by the U.S. Department of the Treasury’s Office of Foreign Assets Control
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, which after the [REDACTED] will comprise H Shares
“Shareholder(s)”	holder(s) of our Share(s)
“Singapore Stock Exchange”	Singapore Exchange Securities Trading Limited

DEFINITIONS

“Simlan Technology ” Yuchai Simlan Technology Co., Ltd. (玉柴芯藍新能源動力科技有限公司), a limited liability company established under the laws of the PRC on August 16, 2021. As of the Latest Practicable Date, it was a non-wholly owned subsidiary of GYMCL, in which GYMCL held approximately 87.7%

[REDACTED]

“STA” the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)

[REDACTED]

“State Council” the State Council of the PRC (中華人民共和國國務院)

“Stock Exchange” or “Hong Kong Stock Exchange” The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited

“Strategy Committee” the strategy committee of the Board

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules

“substantial Shareholder(s)” has the meaning ascribed to it under the Listing Rules

“Track Record Period” the financial years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025

“treasury shares” has the meaning ascribed to it under the Listing Rules

“Tsang & Ong” Tsang & Ong Nominees (BVI) Ltd., a limited liability company incorporated in the British Virgin Islands on March 30, 1993, and one of our Controlling Shareholders

“United States”, “USA” or “U.S.” the United States of America, its territories, its possessions and all areas subject to its jurisdiction

“US\$” or “U.S. dollars” United States dollars, the lawful currency of the U.S.

“U.S. Securities Act” United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[REDACTED]

DEFINITIONS

“[REDACTED]s”	the [REDACTED] and the [REDACTED]
“Unlisted Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
“VAT”	value-added tax
“Y&C Engine”	Y & C Engine Co., Ltd (玉柴聯合動力股份有限公司), a joint stock company with limited liability incorporated in the PRC in August 2009. As of the Latest Practicable Date, GYMCL held approximately 45.0% of its shares.
“Youngstar”	Youngstar Holdings Limited, a limited liability company incorporated in the British Virgin Islands on March 16, 1993, and one of our Controlling Shareholders
“Yuchai Deyou”	Guangxi Yuchai Deyou Engine Systems Co., Ltd.* (廣西玉柴德優發動機系統有限公司), a limited liability company established under the laws of the PRC on December 22, 2021, and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date
“Yuchai Machinery Exclusive”	Yuchai Machinery Exclusive Sales Development Co., Ltd.* (廣西玉柴機器專賣發展有限公司), a limited liability company established under the laws of the PRC on January 28, 2000. As of the Latest Practicable Date, it was a non-wholly owned subsidiary of GYMCL, in which GYMCL held approximately 71.8%
“Yuchai Power Solutions”	Guangxi Yuchai Marine and Genset Power Solutions Co., Ltd* (廣西玉柴船電發電設備有限公司), a limited liability company established under the laws of the PRC on July 10, 2025, and a non-wholly owned subsidiary of the Company, in which the Company owned as to 75% of its equity interest, and Guangxi Yuchai Power Machinery Co., Ltd (廣西玉柴動力股份有限公司), a subsidiary of GY owned as to 25% of its equity interest as of the Latest Practicable Date
“Yulin Changyingjia”	Yulin Changyingjia Investment Partnership Enterprise* (玉林長盈家投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 7, 2023 and one of our Controlling Shareholders

DEFINITIONS

“Yulin Dayingjia”	Yulin Dayingjia Investment Partnership Enterprise* (玉林大盈家投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 7, 2023 and one of our Controlling Shareholders
“Yulin Zhongli”	Yulin Zhongli Investment Partnership Enterprise* (玉林衆利投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 24, 2024 and one of our Controlling Shareholders
“%”	percent

Certain amounts and percentage figures included in the document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the Latest Practicable Date.

* For identification purposes only

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms, and may not be comparable to similarly terms adopted by other companies.

“AI”	artificial intelligence, an area of computer science that focuses on mimicking human intelligence by machines
“auxiliary engine”	an engine installed on a vessel, vehicle, platform, or equipment that is not used as the primary propulsion or prime mover, but instead provides secondary or supportive power for onboard or ancillary systems, such as electrical generation, pumps, compressors, hydraulics, heating and cooling or other auxiliary loads.
“bar”	a unit of pressure
“CAGR”	compound annual growth rate
“CCS”	the China Classification Society
“EPC”	engineering, procurement and construction
“heavy-duty engine”	a power generator engine with rated power between 500kW and 1,500kW (both inclusive)
“GB/T 19001-2016”	the PRC equivalent standard of ISO 9001:2015
“GB/T 24001-2016”	the PRC equivalent standard of ISO 14001:2015
“GB/T 45001-2020”	the PRC equivalent standard of ISO 45001:2018
“G3-class requirements”	G3-class requirements under the ISO 8528 standard applicable to the telecommunications industry
“high-speed”	in respect of marine engines, marine engines with a rated speed exceeding 1,000 r/min
“Hz”	hertz, a measurement of frequency
“IMO”	the International Maritime Organization

GLOSSARY OF TECHNICAL TERMS

“ISO”	the International Organization for Standardization, a non-governmental organization based in Geneva, Switzerland, for assessing the quality systems of business organizations
“ISO 14001:2015”	a standard published by ISO, prescribing specific requirements for an environmental management system in an organization
“ISO 45001:2018”	a standard published by ISO, prescribing specific requirements for an occupational health and safety management system in an organization
“ISO 8528”	a standard published by ISO, prescribing specific requirements for reciprocating internal combustion engine driven alternating current generating sets
“ISO 9001”	a standard published by ISO, prescribing specific requirements for a quality management system in an organization
“ISO 9001:2015”	the 2015 version of the ISO 9001 standard
“kW”	a unit of power, 1kW equals to 1,000 watts
“kWh”	kilowatt hour, the standard unit of energy used in the electric power industry. One kilowatt hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
“large engine”	a power generator engine with rated power of more than 1,500kW
“LNG”	liquefied natural gas
“marine engine”	marine propulsion and auxiliary engine
“marine propulsion engine”	an internal combustion engine designed and built to convert the chemical energy of fuel into mechanical power for the primary purpose of propelling a vessel through water, typically by driving a propeller, waterjet, or other marine propulsion device, and including associated systems necessary for marine operation, such as cooling, lubrication, and control systems
“medium-speed”	in respect of marine engines, marine engines with a rated speed ranging from 300 r/min to 1,000 r/min
“medium- to light-duty engine”	a power generator engine with rated power of less than 500 kW

GLOSSARY OF TECHNICAL TERMS

“MPa”	megapascal, a unit of pressure
“MW”	a unit of power, 1mW equals to 1,000 kW
“Non-Road Stage III”	the stage III standard of Limits and Measurement Methods for Exhaust Pollutants from Diesel Engines of Non-Road Mobile Machinery (CHINA III, IV) (《非道路移動機械用柴油機排氣污染物排放限值及測量方法(中國第三、四階段)》) (GB20891-2014)
“Non-Road Stage IV”	the stage IV standard of Limits and Measurement Methods for Exhaust Pollutants from Diesel Engines of Non-Road Mobile Machinery (CHINA III, IV) (《非道路移動機械用柴油機排氣污染物排放限值及測量方法(中國第三、四階段)》) (GB20891-2014)
“OEM”	an original equipment manufacturer
“power generator engine”	an internal combustion engine designed for power-generation applications that converts the chemical energy of fuel into mechanical energy, which is then used to drive an alternator
“power generator set”	an integrated power generation system consisting of a power generator engine, an alternator and a full suite of engine accessories (including for example the cooling, control and intake and exhaust systems)
“r/min”	revolutions per minute
“Stage V”	EU’s current standards for engines installed in non-road mobile machinery and certain other application (including inland waterway vessels), established under Regulation (EU) 2016/1628 and its implementing measures
“sq.m.”	square meters
“Tier II”	the nitrogen oxides (NOx) emission limits established by the IMO under the International Convention for the Prevention of Pollution from Ships (MARPOL) Annex VI, Regulation 13, for marine diesel engines with a rated power of 130 kW or above installed on ships constructed on or after 1 January 2011 (or undergoing a major conversion on or after that date)

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained principally in “Summary,” “Risk Factors,” “Industry Overview,” “Business,” “Financial Information” and “Future Plans and [REDACTED].” These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in “Risk Factors,” which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. These forward-looking statements include, among other things, statements relating to:

- our operations and business prospects;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate, including but not limited to interest rates and foreign exchange rates;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain relationship with, and the actions and developments affecting, our major business partners, suppliers and future customers;
- our ability to maintain the market leading positions and the actions and developments of our competitors;
- our ability to effectively control costs and operating expenses;
- the ability of business partners to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies, including our business development plans and geographic expansion plans; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this document.

FORWARD-LOOKING STATEMENTS

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in “Risk Factors.”

The forward-looking statements made in this document relate only to events or information as of the date on which the statements are made in this document. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this document completely and with the understanding that our actual future results or performance may be materially different from what we expect.

In this document, statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any of these intentions may change in light of future development.

RISK FACTORS

An [REDACTED] in our H Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statements and related notes, before you decide to purchase our H Shares. If any of the circumstances or events described in this section actually arises or occurs, our business, results of operations, financial position and prospects would likely suffer. In any such case, the market price of our H Shares could decline, and you may lose all or part of your [REDACTED].

The following is a description of what we consider to be our material risks, some of which are beyond our control. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our business, financial position and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our performance is subject to fluctuations of demand from end users in the downstream industries we serve. Slowdown in the growth of these downstream industries could adversely affect our business, financial condition and results of operations.

Our performance is subject to fluctuations of demand for power generator sets incorporating our power generator engines from end users in the downstream industries, including, among others, the data center, distributed power station and infrastructure construction industries. For instance, we had in the past generated a significant portion of our revenue and operating profit from sales of engines for applications in property development projects as the Chinese property market experienced a rapid growth and expansion during that period. However, with the softening of Chinese property market in recent years, demand for our engines from Chinese property developers have dropped, and there has been a decrease in sales of our engines for applications in property development projects as a result. Our performance is also subject to fluctuations in demand for our marine propulsion and auxiliary engines from end users in the inland and coastal shipping and offshore operation industries.

We cannot assure you that demand from end users in the downstream industries we serve will grow or not decline as the development and growth of these downstream industries may be impacted by an array of factors, all of which are beyond our control. These factors include, among others:

- economic downturn or other adverse change in general economic conditions in the PRC and worldwide, which could result in a decline in the level of activities and investments in the downstream industries we serve, thus reducing demand from end users in such industries. For instance, an economic slowdown may lead to reduced investments in the construction of data centers, which in turn could dampen the demand of end users in the data center industry for power generator sets incorporating our power generator engines. Likewise, demand for our marine propulsion and auxiliary engines may be significantly affected by the cyclical nature of the coastal shipping industry in China as strong economic

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conditions typically lead to increased demand for shipping services and higher freight rates, while economic slowdowns may cause demand for shipping services and freight rates to decline significantly; changes in government’s policies and regulations that may curb or otherwise have the effect of reducing the investment in and the growth of the downstream industries we serve. In particular, relevant government policies and regulations that promote or restrict investment in and the growth of the data center, distributed power station, infrastructure construction industries in China and other markets we target could have a significant effect on the demand for power generator sets incorporating our large engines, which was the major driver for our business and revenue growth over the Track Record Period. See “Risks Relating to Our Business and Industry — Our business is significantly influenced by relevant government policies and regulations, and our financial condition, results of operations, business and prospects could be adversely affected by changes in government policies and regulations in China” in this section.

- changes in industrial, emission, environmental or other standards adopted by or applicable to any of the downstream industries we serve, resulting in the obsolescence of our products or our loss of customers and market share in respect of the relevant industries; and
- overcapacity in any of the downstream industries we serve, such as the data center, distributed power station, infrastructure construction and inland or coastal shipping industries resulting in a significant decrease in new investments in such industries, which in turn could lead to low demand for our products.

If the downstream industries we serve do not maintain robust growth and the demand from end users in such industries declines, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our technologies and products may become obsolete. If we are unable to continually improve our existing technologies and products, develop new technologies and products or successfully enter new markets, we may lose our competitiveness.

Our future business success will depend, to a significant extent, on our ability to continue to enhance our existing technologies, develop new technologies that address the increasing sophistication and varied needs of the downstream industries we serve, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. However, the introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render our existing technologies and products obsolete, less competitive or less marketable. Moreover, our technologies and products may be rendered obsolete by the technological advances and upgrading of the downstream industries we serve, if our products fail to meet the enhanced or more stringent technical standards in line with such technological advances and upgrading.

RISK FACTORS

Given the highly competitive nature and ongoing evolution of our industry and the downstream industries, we will have to continually improve our existing technologies and products, develop new technologies and products and enter new markets in order to remain competitive. Our long-term business prospects largely depend upon our ability to develop and introduce new or improved products at competitive prices and enter new local and overseas markets. These future products may utilize different or more advanced technologies and require market expertise beyond our current capabilities. We have dedicated substantial resources to improving our technologies and products and developing new technologies and products. There is no assurance, however, that our efforts in this regard will not fail, that we will be successful in improving existing technologies or developing new technologies or that our new products will be attractive or acceptable to end users in the downstream industries we serve. Additionally, competitors may develop technologies more quickly or profitably than we do or develop technologies that are more advanced than ours, which could significantly weaken our competitive position.

Furthermore, we have made and will continue to make efforts in upgrading diesel engines and power generator sets and the design and development of natural gas and alternative fuel combustion engines and new energy power generator sets. There is no assurance, however, that our efforts in these areas will achieve desired results. In particular, the development of a sustainable market for natural gas and alternative fuel combustion engines and new energy power generator sets in China may be affected by many factors, some of which are beyond our control, including:

- shifts in government policies, emission standards or subsidies for alternative energy technologies;
- the emergence of newer, more competitive technologies and products;
- the prices and availability of oil compared to natural gas and other alternative energy in the future;
- the successful development of natural gas refueling infrastructure for natural gas engines; and
- the successful development of new energy control systems.

Therefore, our technologies and products may become obsolete, or our efforts to continually improve our technologies and products and develop new technologies and products may fail to achieve desired results, and as a result, we may lose our competitiveness in our industry, which in turn could result in a material adverse effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

Our research and development efforts may not yield the results as expected, and we may fail to maintain and grow our research and development capability.

Research and development is critical to the improvement of our product quality and performance. We have been making substantial investments in our research and development endeavors. In 2023, 2024 and the nine months ended September 30, 2025, we incurred research and development expenses of RMB212.0 million, RMB285.5 million and RMB265.7 million, respectively, accounting for 6.5%, 7.1% and 5.3% of our total revenue for the respective years/periods.

As our industry and the downstream industries we serve are characterized by rapid technological changes, we need to continuously invest significant resources in research and development to keep pace with technological advances and remain competitive in our industry. However, research and development activities are inherently uncertain, and we cannot assure you that our research and development efforts will lead to anticipated or desirable results. In addition, we will need to continuously recruit, retain and incentivize qualified research and development personnel as an important part of our efforts to maintain and grow our research and development capabilities. There is no assurance, however, that such efforts will be successful. If our research and development efforts fail to keep up with the latest technological developments, we fail to maintain and grow our research and development capabilities or we fail to meet customer or industry standards in a timely manner or at all, we would suffer from a decline in our competitiveness, and any delay or setbacks in our efforts to upgrade and improve our products and their functionalities could materially and adversely affect our business, prospects and market share.

We have, and will continue to have, significant business relationships with the Related Parties. Any material changes in our relationships with the Related Parties would have a material adverse impact on our business, financial condition and results of operations.

We have close business relationships with the Related Parties, including GY Entities, the GYMCL Related Parties and MTU Yuchai.

During the Track Record Period, we entered into various transaction and business dealings with the Related Parties. On the one hand, we primarily procured finished engines from the Related Parties to complement our product portfolio, and procured components, such as cylinder block rough castings, cylinder head rough castings and connecting rods, from the GYMCL Related Parties and GY Entities for our production of engines. On the other hand, we primarily supplied components, mainly cylinder blocks and cylinder heads, to MTU Yuchai, and supplied finished engines, power generator sets and components to GY Entities and the GYMCL Related Parties. See “Business — Transactions with the Related Parties” in this document for details. During the Track Record Period, GY Entities, the GYMCL Related Parties and MTU Yuchai were among our five largest customers and five largest suppliers. See “Business — Overlapping of Customers and Suppliers” in this document for details.

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We will continue to be controlled by our Controlling Shareholders, including GYMCL, after the [REDACTED] and expect to continue to maintain our business relationships with them and/or their associates and other related parties, including GY Entities. However, there is no assurance that we may be able to maintain close business relationships with the GYMCL Related Parties or GY Entities at all times. If there is any adverse change in such business relationships, we may not be able to continue our business relationships or dealings with the GYMCL Related Parties or GY Entities on terms reasonable to us if at all. As a result, we may experience significant difficulties in our business and operations, including disruptions of our business operations, and losses of business opportunities and market share, which in turn would have a material adverse impact on our business, financial condition and results of operations. See “Risks Related to Our Business and Industry — We are dependent on our suppliers, some of which are our single-source or limited-source suppliers, for the components they supply” in this section.

In the past, disputes and difficulties had arisen, and had been subsequently resolved, between CYI and GYMCL’s other shareholders, including certain GY Entities, in relation to GYMCL, including matters mainly relating to its daily management and operation. There is no assurance that any similar or other dispute or difficulty between CYI and GYMCL’s other shareholders will not arise in the future. If any such dispute or difficulty arises, our continued business relationships or dealings with the GYMCL Related Parties or GY Entities may be negatively affected.

In the case of MTU Yuchai, we distribute a portion of its engine products in China and supply engine components to it. If disagreements arise between Rolls-Royce and us over strategic directions or other matters relating to MTU Yuchai, our business relationships and dealings with MTU Yuchai may be disrupted or otherwise negatively affected as a result. See “Risks Related to Our Business and Industry — We are subject to risks associated with strategic alliances, including joint ventures” in this section for details.

Failure to maintain effective control over the quality of our products could adversely affect our reputation and brand image, lead to product returns or recalls and result in product liability claims and losses of customers and market share.

The success of our business depends heavily on our ability to provide high-quality products. We must continuously produce and deliver top-quality and high performance engines and power generator sets in order to attract and retain our OEM and other customers, particularly, those serving or operating in the data center and other downstream industries we target. If we fail to meet customer requirements for reliability or quality standards, our reputation, brand image and market position may suffer a material harm and we may lose customers and market share as a result.

We have implemented stringent internal control measures to ensure product quality. However, there is no assurance that we will be able to maintain effective control over the quality of our products at all times. Any flaws and defects in our design and production processes or in those of our suppliers could expose us to potential product liability and/or risks of product returns or recalls. If we supply a customer or end user with a defective product, they may demand a return or recall, which may cause us to incur additional costs, harm our reputation and lead to decreased sales. Furthermore, flaws or defects in our products could expose us to significant liabilities under our

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warranty commitments to customers, as we are obliged to carry out all necessary repairs and/or replacements at no cost to the affected customer during applicable warranty period. Therefore, if we produce, sell and deliver any defective products, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We face intense market competition in our industry, and we may not be successful in effectively competing with our competitors, particularly large international engine and power generator set companies and major Chinese players in our industry.

Our industry is highly competitive, with several factors contributing to this competitive landscape:

- improvement in competitors’ products;
- increased production capacity of competitors;
- price competition;
- increased emphasis on new energy engines; and
- consolidations in the engine industry.

We face significant challenges and may not be successful in competing effectively with our competitors, particularly large international engine and power generator set companies and major Chinese players in our industry. These competitors may have substantially more financial and other resources, R&D capabilities, longer operating histories, as well as broader product applications and larger market share, and consequently, they may be able to react to changes in alternative technologies and competitive market conditions more quickly and effectively than we do, thus weakening our competitive position.

We believe that the excess capacity in our industry, whether in respect of power generator engines, marine propulsion and auxiliary engines or power generator sets, may arise due to fluctuations in market demand. Any excess capacity or decline in customer demand in or affecting our industry could lead to a decrease in prices of our engine and power generator set products. As we and our competitors compete with lower prices, this could adversely impact our revenues, margins and overall profitability.

In addition, our competitors in the power generator engine, marine propulsion and auxiliary engine and power generator set markets may be able to introduce new or improved products that are more favorably received by the end users in the relevant downstream industries. Competition in the end-user markets could also lead to technological improvements and advances that render our current products obsolete earlier than expected. Failure to introduce or delays in the introduction of new or improved products at competitive prices could materially and adversely affect our competitiveness and market position, thus resulting in a material adverse effect on our financial condition, results of operations, business or prospects.

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Furthermore, any consolidation or alliance in our industry may result in more intensified competition for us from the resulting larger competitors. Concentration within our industry, or other potential moves by our competitors in this regard, could improve their competitive position and market share and may exert further pricing pressure on us. Also, any consolidation or alliance in our industry involving our key suppliers or customers may adversely affect our existing relationships and arrangements with them. The loss of one or more of our key suppliers or customers due to consolidation or alliances in our industry could have a material adverse effect on our business, financial condition and results of operations.

We depend on and expect to continue to depend on our major customers for a significant percentage of our sales.

In 2023 and 2024 and the nine months ended September 30, 2025, sales to our five largest customers amounted to RMB1,088.7 million, RMB1,135.8 million and RMB1,691.9 million, representing 33.6%, 28.4% and 34.1% of our total revenue for the respective periods, respectively, while sales to our largest customer amounted to RMB708.4 million, RMB539.4 million and RMB1,009.6 million, representing 21.9%, 13.5% and 20.3% of our total revenue for the respective periods, respectively. Although we consider our relationship with our major customers to be good, the loss of one or more of our major customers, whether singly or combined together, would have a material adverse effect on our financial condition, results of operations, business or prospects.

We expect to continue to generate a significant portion of our sales from major customers, as we endeavor to target and attract an increasing number of large internet technology companies and distributed power stations as customers for or end users of large engines and power generator sets we offered, which they may use as backup power solutions for their large-scale data center construction and capacity expansion projects, and the data center and such other downstream industries we target may undergo consolidation or otherwise become increasingly concentrated.

Our dependency on purchases made by our top and other major customers exposes us to risks associated with their liquidity and purchasing decisions. Any adverse changes in their financial stability, market position or purchasing patterns could adversely impact our sales volume and revenue. We cannot assure you that our top or other major customers will not default in paying us for our products or will continue purchasing the same volume of products from us. Furthermore, we normally do not enter into long-term sales agreements with our top or other customers, and as a result, we are faced with the potential risk that these customers may decide to terminate their business relationship with us and choose to purchase products from our competitors at any time, thus resulting in lower sales for us. In addition, fluctuations in the economic environment or industry-specific challenges may lead to reduced demand for our products from our top or other major customers, further increasing our exposure to the risks and uncertainty associated with such customers, and our business, financial condition and results of operations could be materially and adversely affected as a result.

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We have a limited history as an independently operated company, and our historical growth rate may not be indicative of our future performance.

We commenced to operate as an independently operated company in 2022. Prior to that, our business was part of those of GYMCL, which formed a separate division in 2015 to focus on the management of our business. Our limited history as an independently operated company may make it difficult to evaluate our business prospects, and our historical performance should not be considered as an indication of our future performance. While we had experienced significant growth during the Track Record Period, there is no assurance that we will be able to sustain our historical growth, or our business will not experience a decline, in the future, as we face various significant challenges and risks in managing the continued operation and growth of our business. As a result of these challenges and risks, we may fail to successfully execute our growth strategies and business initiatives, including those related to:

- continuously designing, developing and manufacturing high-quality engines and power generator sets that meet the evolving requirements of end users in the downstream industries we serve;
- effectively managing our production capacity expansion;
- steadily growing our customer base;
- effectively managing our supply chain, enhancing and maintaining operational efficiency;
- expanding our network and efforts for selling, distributing and servicing our products in target markets and regions outside of China; and
- successfully adapting to changes in general economic conditions and the regulatory environment in which we operate.

Any such failure could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our financial condition, results of operations, business or prospects may be adversely affected to the extent we are unable to continue our sales growth and business expansion.

During the Track Record Period, we had experienced significant growth in sales of our products. Our revenues amounted to RMB3,239.0 million, RMB3,999.8 million, RMB2,967.9 million and RMB4,967.2 million in 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively. However, we cannot assure you that we will be able to maintain or increase our revenue in the future. Our future growth is dependent in large part on many factors beyond our control, such as the continued growth of the downstream industries we serve. See “Risks Relating to Our Business and Industry — Our performance is subject to fluctuations of demand from end users in the downstream industries we serve. Slowdown in the growth of these downstream industries could adversely affect our business, financial condition and results of operations” in this section for details.

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Significant challenges may arise in managing the expansion of our production capacity and maintaining or increasing sales in line with our expanded production capacity. As our sales grow and business expands, we may experience difficulties in managing a larger organization with an increased number of employees operating in different geographic locations.

Furthermore, we also cannot assure you that we will be able to effectively manage any future growth due to various challenges and uncertainties, including:

- securing necessary supplies, including the availability of components, particularly in a volatile supply chain environment;
- hiring, training and retaining experienced research and development staff, skilled production workers and management personnel;
- manufacturing and delivering products for increased orders in a timely manner;
- maintaining quality standards and competitive pricing;
- controlling costs;
- improving our operational, financial and management controls, compliance programs and reporting systems; and
- obtaining adequate funding on commercially reasonable terms for future expansion and investments.

If we are unable to effectively manage our future growth, our financial condition, results of operations, business or prospects could be adversely affected.

We may not be able to continue to use the “Yuchai” trademarks, or ensure the continued strength of the “Yuchai” trademarks.

As of September 30, 2025, we were able to use 22 trademarks (the “**Yuchai Trademarks**”), including “Yuchai” (玉柴), which are owned, and licensed to us, by GY, a substantial shareholder of our Controlling Shareholders, CYI and GYMCL, and a related party of us. We cannot assure you that we will continue to use the Yuchai Trademarks for an indefinite period or that GY will not revoke or terminate the license of the Yuchai Trademarks to us in the future. In addition, there is no assurance that GY, its associates or third parties will not challenge our entitlement to use the Yuchai Trademarks or claim that our use of trademarks infringes their intellectual property rights. If this happens, we might be required to devote substantial management time and other resources to defending such claim, and there is no assurance that such defenses will be successful. In such event, our brand and business may be harmed.

In addition, the Yuchai Trademarks are also used by GY Entities and, through a license from GY, by the GYMCL Related Parties. As our business success and reputation have greatly benefited from, and are also closely associated with, the success of the “Yuchai” brand, any harm to or

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adverse impact on the “Yuchai” brand resulting from misconduct or other improper actions taken by GY Entities or the GYMCL Related Parties or any other person could have an adverse effect on our business and reputation.

We are dependent on our suppliers, some of which are our single-source or limited-source suppliers.

Our engines and power generator sets contain components that we purchase from external suppliers, and some of these suppliers serve as our single or limited source for the relevant components. For example, with respect to a limited number of components, i.e., high-power HPCR fuel injection pumps and high-power HPCR fuel injectors, we rely on the import from a single source outside of China. With respect of certain key components, principally cylinder block rough castings and cylinder head rough castings, we procured substantially all of such components from the GYMCL Related Parties during the Track Record Period. Such dependency may present a significant risk, as any disruption in the supply chain, whether due to logistical issues, financial instability or other unforeseen circumstances, could lead to delays or halts in our production activities. Such disruptions could adversely impact our ability to deliver orders and meet customer demands, potentially resulting in contractual defaults, lost revenue and increased costs. We generally do not enter into long-term agreements with our suppliers in order to maintain flexibility in our own procurement and sourcing processes, except with the single-source supplier mentioned above. However, there can be no assurance that we would be able to successfully secure alternative suppliers for the necessary components to meet our requirements on a timely basis, on acceptable terms or at all. Our dependence on single or limited-source suppliers could lead to quality control challenges, higher costs and limited adoption of new technologies. With respect to our dependence on the GYMCL Related Parties for the supply of certain key components, see “Risks Related to Our Business and Industry — We have, and will continue to have, significant business relationships with the Related Parties. Any material changes in our relationships with the Related Parties would have a material adverse impact on our business, financial condition and results of operations” in this section for details.

The financial stability of these suppliers is also crucial, as their financial distress could significantly disrupt our supply chain. Additionally, changes in business conditions, force majeure, changes in governmental regulations or policies, and other factors beyond our control or which we do not presently anticipate, could also affect our suppliers’ ability to deliver components to us on a timely basis or at all. Any of the foregoing issues or concerns could materially and adversely affect our business, results of operations, financial condition and prospects.

We depend in part on distributors for the sale of our products, and our limited control over our distributors exposes us to risks.

We distribute our products in part through distributors. In 2023, 2024 and the nine months ended September 30, 2024 and 2025, our revenue generated from sales through distributors amounted to RMB519.6 million, RMB526.7 million, RMB407.5 and RMB546.0 million, respectively, accounting for 16.0%, 13.2%, 13.7% and 11.0% of our total revenue for the respective periods.

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We rely on the market reach and established relationships that our distributors have with end-users or OEM customers for sales of a portion of our products in the relevant markets. We cannot assure you that our distributors will be successful in marketing, selling and supporting our products. We maintain limited control over the actions and business plans of our distributors. These parties may engage in various forms of misconduct, even if we prohibit them from doing so in our agreements with them, including but not limited to:

- breaching our agreements, such as unauthorized sales of products or distribution into regions that violate exclusive distribution rights;
- unauthorized or improper use of our brand name;
- inadequate promotion or support of our products;
- failing to provide adequate training and services to end users;
- misrepresenting the functionality of our products; and
- violating the anti-corruption laws in the PRC and other relevant jurisdictions where our products are sold or delivered.

Misconduct by any of our distributors could have an adverse effect on our results of operations, reputation, brand recognition and market position. Failure of our distributors to comply with our agreements or relevant legal and regulatory requirements could tarnish our brand image and disrupt our sales. Furthermore, to the extent that we are involved or implicated in negative publicity, legal actions or administrative penalties due to misconduct of our distributors, our ability to effectively market and sell our products in the relevant markets or jurisdictions may be adversely affected.

Our business could be adversely affected by the disruption of supply or shortage of engine components.

We may experience a sustained interruption in the supply or shortage of components and other inputs used by us and our suppliers in our and their businesses and products, such as cylinder block rough castings, cylinder head rough castings, crankshafts, camshafts and pistons, which could adversely affect our future profitability or our ability to execute our business plan in a timely manner. We expect our demand for engine components to increase as our production volume increases and our business expands. Any supply interruptions or shortage could materially and negatively impact our business, prospects, financial condition and results of operations.

Prices of components or energy used in our production may increase, which may adversely affect our profitability or cause us to suffer operating losses.

Our production processes and production activities are dependent on various components and energy, the prices of which are subject to significant volatility due to factors beyond our control, depending on market conditions and fluctuations in market demand. Rising prices of key components such as cylinder block rough castings, cylinder head rough castings, crankshafts,

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camshafts and pistons, as well as increases in energy prices (e.g., electricity, natural gas and oil), could significantly elevate our production costs. While we may attempt to mitigate these risks by passing some of the increased costs onto customers through price adjustments, our ability to do so may be limited by competitive pressures, contractual obligations or customer resistance. In cases where we are unable to fully absorb or pass on any such rising costs to our customers, our profit margins would be reduced, potentially leading to lower profitability or even operating losses.

Our business, financial condition and results of operations may be adversely affected if we are unable to effectively manage our production capacity or if there are any problems or delays in the production expansion plan.

We believe that our future success, in part, depends on our ability to effectively manage our production capacity, which may include increasing our production utilization rate, improving our production efficiency, optimizing our production processes, or acquiring and upgrading equipment and production facilities. We may not be able to obtain governmental approvals or permits required for our production capacity expansion project in a timely manner or at all. Furthermore, we may also experience issues or delays in meeting our projected timelines, maintaining sufficient funding and capital efficiency, increasing production capacity or generating sufficient demand for our increased production capacity, and our business, prospects, results of operations and financial condition could be adversely impacted as a result.

In addition, our efforts to enhance our production capacity may not achieve the expected benefits.

If our products face insufficient or unstable demand, our utilization of production capacity will be affected. In 2023, 2024 and the nine months ended September 30, 2025, the utilization rate for our production facilities was 88.4%, 93.0% and 97.0%, respectively. There is no assurance that we may continue to maintain the historical level of demand for our products and the utilization rate of our production capacity will not decline in the future. A decrease or fluctuation in the level of demand for our products may result in a significantly lower utilization rate for our production facilities, and our actual production volume may vary depending on the demand for our products, which in turn may be affected by market trend, customers’ preferences or other factors beyond our control. If the orders from our existing customers are not sufficient for us to fully utilize our production capacity and there is a lack of new customers, our production facilities might be operated at a lower-than-expected utilization rate, which may adversely affect our business, financial condition and results of operations.

We may not be able to effectively manage our inventory risks.

Our inventory mainly comprises components, work-in-progress and finished products. We maintain our inventory to meet the needs of production and customer demand and ensure timely delivery of our products. As of December 31, 2023 and 2024 and September 30, 2025, our inventory amounted to RMB1,311.2 million, RMB1,509.1 million and RMB1,661.9, respectively, representing 41.1%, 36.7% and 40.4% of our current assets, respectively. Our average inventory turnover days were 185 days, 168 days and 114 days, respectively for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025. We determine our level of our

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inventory based on various factors, including our experience, outstanding orders from customers, assessment of customer demand and fluctuation in prices of components and other supplies. However, such assessment is inherently uncertain, and the actual demand for our products could be materially different from our projection. Therefore, we cannot assure you that we are able to always maintain our inventory at an optimal level in the future. If we fail to accurately assess the demand for our products, we will be exposed to significant risks of inventory obsolescence, decline in inventory value and inventory write-down or write-off. If we underestimate the demand for our products, we may not be able to produce a sufficient volume of products within the schedule as required by our customers, which could result in delays in the delivery of our products, loss of customer orders and negative impact on our reputation. In addition, high inventory levels may also require us to commit substantial capital resources. Moreover, during the Track Record Period, we entered into consignment arrangements with our customers. Under such arrangements, we deliver our products to warehouses designated by our customers for consignment. While on consignment, title to and inventory risk in respect of the products remain with us until the customer utilizes and accepts the products (evidenced by issuance of a Goods Sales Acceptance Form). See “Business — Sales, Marketing and Customers — Consignment Arrangements” in this document for details. Such consignment arrangements impose higher requirements on our inventory management and may increase our inventory risks. Any of the above risks, if materialized, may materially and adversely affect our business, results of operations and financial conditions.

We market, distribute and sell our products internationally, which poses inherent risks.

We sell our products to overseas countries. In 2023, 2024 and the first nine months of 2025, our sales outside China totaled RMB120.2 million, RMB214.4 million, and RMB215.3 million, respectively, accounting for 3.7%, 5.4% and 4.3%, respectively, of our total revenue for the same periods.

The marketing, distribution and sale of our products internationally may expose us to various risks, including those related to:

- fluctuations in currency exchange rates;
- costs associated with understanding local markets and trends;
- marketing and distribution costs;
- customer services and support costs;
- compliance with the different commercial, operational, environmental and legal requirements;
- obtaining or maintaining certifications for marketing, distribution and sales of our products in relevant overseas markets;
- maintaining our reputation as an environmentally friendly enterprise for our products;
- obtaining, maintaining or enforcing intellectual property rights;

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- transportation and freight costs;
- employing and retaining managerial, technical, sales and other personnel who are knowledgeable about, and can function effectively in, overseas markets;
- trade barriers, export requirements, tariffs, taxes, anti-dumping and countervailing duty orders or safeguard measures and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries; and
- challenges due to our unfamiliarity with local laws, regulation and policies, our lack of operating experience in local market and increased cost associated with establishment of overseas operations.

Due to our limited experience in doing business in the overseas markets, we need to spend significant efforts to familiarize ourselves with applicable local laws, regulation and policies. Our failure to obtain the required approvals, permits, licenses, filings or to comply with the conditions associated therewith could result in fines, sanctions, suspension, revocation or non-renewal of approvals, permits or licenses, or even criminal penalties, which could have a material adverse effect on our business, financial condition and results of operations.

The adoption of stringent emission standards for our engine products may adversely affect our results of operations and financial condition.

The manufacture of our engines is subject to regulation by the Ministry of Ecology and Environment of the People’s Republic of China and other authorities in China. Regulations in China have been increasingly tightened for diesel engines in recent years, including the mandatory implementation of China’s Non-Road Stage IV emission standards for non-road diesel engines. China’s Non-Road Stage IV emission standards have imposed a series of emission tests not only during the production processes but also after engine installation. Apart from complying with the existing emission standards, we must also monitor the relevant industry and regulatory trends and developments so as to be prepared, technologically and otherwise, for new and more stringent requirements that relevant government and regulatory bodies may adopt or impose in the future.

The technological requirements to comply with China’s Non-Road Stage IV emission standards, and our commitment to preparing for more stringent or advanced technological requirements in the future, have required us to deploy significant resources on improving major engine components and systems which has led to increased costs. If such cost increases cannot be entirely transferred to our original equipment manufacturer and other customers, it could adversely affect our margins and profitability.

In addition, the production of our engines and power generator sets involves technically complex production processes and requires a supply of highly specialized components. If we or our third-party suppliers fail to comply fully with applicable regulations, there could be a product recall or other shutdown or disruption of our production activities.

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Our business is heavily influenced by relevant government policies and regulations, and our financial condition, results of operations, business and prospects could be adversely affected by changes in relevant government policies and regulations.

Our business is heavily influenced by relevant government policies and regulations, which significantly affect various aspects of our business and operations, including productions, emission regulations, subsidies and market demand for our products. Changes in these policies and regulations could adversely affect our financial condition, results of operations, business or prospects.

Government policies and regulations regarding emissions standards and fuel efficiency requirements directly impact the design, production and sale of diesel engines, including those for power generation and marine applications, as well as market demand for clean energy engine products. These policies and regulations, to the extent applicable, serve as the framework within which we operate and directly influence our strategies and activities across various aspects of our business. In recent years, the Chinese government has prioritized energy conservation and carbon reduction, exemplified by its commitment to achieving peak carbon emissions by 2030 and carbon neutrality by 2060. This has led to the introduction of policies and regulations that may de-emphasize traditional engines, such as diesel engines, and encourage increased use of cleaner energy alternatives. Such changes could adversely impact our financial condition and market position. Compliance with stringent emission and fuel efficiency standards requires significant investment in advanced technologies to optimize engine performance while minimizing environmental impacts, and such investment could result in a significant strain on our capital and other resources. Furthermore, we cannot assure you that we will always be able to effectively respond to and meet the increasingly stringent emission and fuel efficiency standards or other changes in government policies and regulations that may affect our business and operations, and any such failure could cause us to lose market share and harm our market position.

In addition, relevant government policies and regulations could shape or materially affect general economic conditions and investments in the downstream sectors we serve, and thus could significantly influence market demand for our engine and power generator set products. For instance, demand for our power generator engines and power generator sets for data center applications could be materially affected by relevant government policies and regulations that promote or restrict investment in and the growth of internet infrastructure and computing power, which are key drivers for the development of the data center industry in China. Similarly, demand for our marine propulsion and auxiliary engines has been affected and may continue to be affected by relevant government policies and regulations that affect infrastructure investment in inland waterways and restricts the upgrading of fishing, ferry or other vessels. Consequently, changes in relevant government policies and regulations relating to our industry or the downstream industries we serve could adversely affect our financial condition, results of operations, business and prospects.

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If we fail to obtain, renew or maintain certain approvals, licenses, permits or certificates required for our operations or certifications required or desirable for our products, our business and results of operations may be adversely affected.

We are subject to certain laws and regulations that require us to obtain and maintain various approvals, licenses, permits and certificates from different authorities to operate our business. We may face sanctions or other enforcement actions if we fail to obtain approvals, licenses, permits or certificates as might be necessary for our operations. We could be ordered by the relevant regulatory authorities to cease operation or may be required to undertake corrective measures or other remedial actions, which could materially and adversely affect our business, financial condition and results of operations.

In addition, some of these approvals, permits, licenses and certificates may be subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. Any failure by us to obtain the necessary renewals and/or reassessment or otherwise maintain all approvals, licenses, permits and certificates necessary to carry out our business at any time could cause severe disruption to our business and prevent us from continuing to carry out our business, which could have a material adverse effect on our business, financial condition and results of operations. We may also be required to obtain additional approvals, permits, licenses or certificates that were previously not required to operate our existing business as a result of new regulations coming into effect or changes to interpretation or implementation of existing laws and regulations. Any failure to obtain the additional approvals, permits, licenses or certificates may adversely affect our business, financial condition and results of operations.

Furthermore, we are required to obtain certifications from relevant industry classification societies or organizations for some of our products, including, for example, certifications from the China Classification Society (CCS) for our engines and power generator sets, so that such products may be marketed and sold for applications in the relevant downstream sectors. Some certifications, such as the TLC Product Certification by TL Certification Center Co., Ltd., are voluntary, but may be required by our customers as an assurance for the quality and performance of our products. In particular, as we plan to expand the sales of our products in the overseas markets, we may be required by the relevant governmental authorities or customers in relevant markets to obtain additional certifications for our products, and we will need to dedicate significant research and development efforts and other resources in this regard. There is no assurance, however, that we will be able to obtain or maintain such certifications. As a result, our business expansion initiative may fail and this in turn could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our business, financial condition and results of operations may be adversely affected by international export controls and economic sanctions.

U.S. and other jurisdictions or organizations, including the European Union, the United Nations, the United Kingdom and Australia, have implemented measures that impose economic sanctions targeting certain sanctioned countries, or against targeted industry sectors, groups of

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companies or persons, and/or organizations within such countries. See “Regulatory Overview — Overview of Sanctions and Export Control Laws and Regulations” in this document for further details of the legal frameworks which may apply to us.

During the Track Record Period, we conducted direct sales of our engine products to customers located in Turkey and Iraq, and to the best of our knowledge, may have had indirect sales involving end users located in Russia (excluding the Crimea, Luhansk People’s Republic (“LPR”) or Donetsk People’s Republic (“DPR”) regions) (collectively, the “**Relevant Countries**”). Our International Sanctions Legal Advisor is of the view that the customers in Turkey and Iraq were not designated under any sanctions regimes administered by relevant authorities, including the Specially Designated Nationals and Blocked Persons List maintained by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”). See “Business — Business Activities Relating to Relevant Countries and U.S. Export Control Compliance” in this document for details.

On the other hand, with respect to the indirect sales of our Group involving Russian end users and the engagement of personnel by our Company in Russia for research purposes, our International Sanctions Legal Advisor, based on the information provided and procedures they considered appropriate, advised that, such transactions and the engagement of personnel do not, based on the information currently available, give rise to U.S. primary sanctions exposure, and the associated U.S. secondary sanctions risk is considered to be relatively low.

Accordingly, taking into account that revenue attributable to sales involving Relevant Countries represented less than 2% of our Group’s total revenue during the Track Record Period, as advised by our International Sanctions Legal Advisor, our Group’s overall sanctions-related risk is low.

To lower the risk corresponding to the events above, we have undertaken internal control measures to mitigate sanctions and export control related risks, including ongoing monitoring of business relationships in sanctioned countries, establishing a policy not to engage in any new projects or businesses in such countries, implementation of enhanced due diligence and a structured trade compliance framework, and requiring mandatory execution of end-user undertakings. However, if we fail to implement these policies effectively, we may be subject to international sanctions and export control risks.

Furthermore, our business and reputation could be adversely affected if the government of U.S., the European Union, the United Nations, or any other governmental entity were to determine that any of our activities constitute a violation of the sanctions or export control laws they impose, or provide a basis for a sanctions designation or export restriction against our Company. In addition, as many sanctions and export control programs are constantly evolving, new requirements or restrictions could come into effect. Such changes might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions or export controls, or being otherwise sanctionable under applicable legal frameworks.

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We engage third parties for certain services in connection with our business.

During the Track Record Period, we engaged third-party service providers for services in connection with our business, such as third-party contractors to which we outsource certain production processes. We endeavor to obtain services from third-party service providers who we believe are able to meet our specifications and requirements. However, the third-party service providers may not have sufficient resources to meet our demands and they may not provide their services in a timely manner or with satisfactory quality. If a third-party service provider fails to fulfill our requirements, we may need to replace such third-party service provider or take other remedial actions which could increase our costs of operations. In addition, as we do not have direct control over the third-party service providers, if they become involved in any unauthorized provision of services which are incompliant with our requirements or that of our customers, our reputation in the industry may be adversely affected. Our reputation in the industry may also be adversely affected if the third-party service providers do not comply with applicable laws and regulations. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

We are subject to risks associated with strategic alliances, including joint ventures.

We have in the past entered, and may in the future enter, into strategic alliances, including joint ventures, with third parties to further our business purposes. For instance, MTU Yuchai is currently a 50-50 joint venture between our Company and Rolls-Royce. See “Business — Joint Venture with Rolls-Royce” in this document for details.

We cannot guarantee that our strategic alliances including joint ventures will be successful, profitable or achieve their intended objectives. The success of these strategic alliances depends on a variety of factors, including market conditions, regulatory environment, technological advancements and the performance by our business partners. If any of these joint ventures or other strategic alliances fail to perform as expected, we may be required to recognize impairment losses related to our investments in such joint venture or strategic alliance and we may take such action as is deemed strategically appropriate including but not limited to divestment, restructuring, or changes in shareholding. Such actions could result in additional costs, write-downs, or other financial impacts. As a result, our financial condition, results of operations and business prospects could be materially and adversely affected.

Our joint ventures and other strategic alliances could subject us to a number of risks, including risks associated with sharing propriety information and non-performance by third parties. In addition, disagreements with joint venture or other partners over strategic direction, operational decisions or financial commitments could disrupt operations or lead to the dissolution of joint venture, alliances or other similar arrangements, which could adversely affect our business and financial performance. Furthermore, joint ventures and strategic alliances often involve shared control, which may limit our ability to unilaterally make decisions or implement changes. This could delay responses to market opportunities or challenges, putting us at a competitive disadvantage. The financial and operational risks associated with these partnerships are inherent, and we may not always be able to mitigate such risks effectively.

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We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers (the “**Relevant Customer(s)**”) settled their payments with us through third-party payers (such payer(s), the “**Third-Party Payer(s)**,” and such arrangement(s), the “**Third-Party Payment Arrangement(s)**”). In 2023, 2024 and the nine months ended September 30, 2025, the number of Relevant Customers amounted to six, 12 and 15, respectively. The aggregate amount of third-party payments we received from Third-Party Payers was RMB49.3 million, RMB60.6 million and RMB46.6 million, which respectively accounted for 1.5%, 1.5% and 0.9% of our total revenue in 2023, 2024 and the nine months ended September 30, 2025. Since January 1, 2026, we had ceased to allow our customers to settle payments through Third-Party Payers. See “Business — Third Party Payment” in this document for details.

We are subject to various risks relating to such Third-Party Payment Arrangements during the Track Record Period, including possible claims from Third-Party Payers for return of funds as they were not contractually indebted to us, and possible claims from liquidators of Third-Party Payers. In the event of any claims from Third-Party Payers or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of Third-Party Payment Arrangements, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may, as a result, be adversely affected.

Fluctuations in exchange rates could adversely affect our results of operations.

We derive a portion of our sales from overseas customers. Therefore, a portion of our total revenues have been denominated in foreign currencies. Our sales outside China represented 3.7%, 5.4%, 4.3%, and 4.3% of our total revenues in 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively. As a result, we face risks resulting from currency exchange rate fluctuations. We incurred a net foreign exchange gain of RMB0.1 million, RMB1.3 million, RMB1.2 million and RMB2.2 million for the years ended December 31, 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively. We cannot accurately predict the impact of exchange rate fluctuations on our results of operations and may incur net foreign exchange losses that may have a adverse effect on our financial condition and results of operations. As we further expand our business into international markets, we may subject to increasing risk related to foreign exchange rate fluctuations.

We may be unable to obtain sufficient financing to fund our operation, which could limit our growth potential.

Our business and future strategy require significant funding for investments in various business areas we focus on, including research and development, production capacity expansion, and products promotion and marketing. The scale of our future investments may require us to obtain additional funding, including through additional borrowings and by accessing the capital markets. However, securing such financing is subject to various uncertainties, including our results of operations, financial condition, cash flow, and broader economic, political, and market conditions in China. In addition, our ability to obtain external financing is further affected by

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factors such as the state of both domestic and international capital markets. Changes in interest rates and market liquidity conditions could have an adverse impact on our earnings, cash flows and ability to secure financing, potentially affecting our business, financial condition, results of operations and prospects. A shortage of liquidity in the banking system or any other factor that results in our inability to access capital may further exacerbate these challenges. Therefore, we cannot assure you that we will be able to obtain additional financing required for our expansion or other investments in the future, at interest rates and on other terms that are commercially reasonable to us, or at all. To the extent we cannot finance such future expansion or other investments, our business and growth prospects may be materially harmed.

In addition, if we raise additional financing by issuance of additional equity securities, our Shareholders may experience dilution. To the extent we engage in debt financing, the incurrence of indebtedness would result in increased debt servicing obligations and could result in operating and financing covenants that may, among other things, restrict our operational flexibility or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial condition may be materially and adversely affected.

We are subject to increasingly stringent policies and regulations related to the environment, climate change, and employee health and safety.

Our operations and products must comply with national and local laws and regulations in China governing emissions, noise, air quality, soil contamination, wastewater discharge, and the treatment and disposal of hazardous and non-hazardous waste materials, employee health and safety, climate change and environmental protection. These regulations impose environmental taxes and fines for pollution and may require the closure of non-compliant facilities or the cessation of activities causing environmental damage. These laws and regulations may impose numerous obligations that are applicable to our operations, including acquisition of relevant permits or other approvals and imposition of significant liabilities for pollution or accidents arising from our operations.

Regulations in China have been steadily tightened for non-road engines. For instance, the mandatory implementation of China’s Non-Road Stage IV emission standards has required us to increase our research and development expenditures to meet these requirements. Furthermore, the PRC government authorities may impose and enforce even more stringent emission standards for diesel engines, including those for power generation and marine applications, in the future. There can be no assurance that we will be able to comply with future emission standards or that stricter regulations will not result in a material adverse effect on our business, financial condition and results of operations. Environmental and other regulations, such as power efficiency and energy consumption standards for data centers and vessels, could also become significantly stricter in other markets where our engine or power generator set products are sold, distributed or used. Non-compliance with these regulations would result in significant financial and reputational risks.

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Therefore, our ability to align with and proactively respond to government policies is fundamental to our continued success and sustainability in China as well as other markets where our engine or power generator set products are sold, distributed or used.

Various jurisdictions are adopting or considering new laws and regulations that expand mandatory disclosure, reporting and diligence requirements with respect to environmental, social and governance (“ESG”) matters. The ESG and sustainability landscape and expectations of [REDACTED], customers, employees and other stakeholders in this area continue to evolve due to new regulations and geopolitical developments. Compliance with these new rules along with any other anticipated ESG reporting rules may result in additional costs and operational complexities. Moreover, [REDACTED], lenders and other stakeholders (including those in support of or in opposition to ESG principles) may have a negative view of us to the extent we are perceived to have not responded appropriately to their ESG concerns or take positions that are contrary to their views or expectations. Failure to comply with present or future ESG regulations or to meet stakeholder expectations, could harm our reputation, business and financial condition.

In addition, the adoption and implementation of the increasingly stringent employee health and safety standards may result in significant additional compliance and other costs for us and expose us to increased risks that we may be involved in and need to commit resources and incur significant costs to deal with the labor disputes and legal proceedings arising out of the claims made by our employees in relation to any actual or alleged health hazards or work safety violations based on such enhanced employee health and safety standards.

We are exposed to risks related to changes in international trade policies and regulations.

Our operations are subject to risks arising from changes in international trade policies and regulations that may adversely affect the sale and distribution of our products in the relevant jurisdictions. Governments around the world may make changes to their trade policies and/or take certain actions that may materially impact international trade. Any unfavorable government policies on international trade, such as export control requirements, tariffs, taxes, anti-dumping and countervailing duty orders, market entry or safeguard measures, and other restrictions and expenses, might result in the increased price of our products, making our products more expensive to procure, which would in turn affect the demand for and the competitive position of our products, or may prevent us from selling our products in certain jurisdictions. If any new tariffs, trade legislation and regulations are implemented, or if existing trade agreements are renegotiated, such changes could have an adverse effect on our business, financial condition and results of operations.

In addition, we may, from time to time, procure production equipment from overseas suppliers which could expose us to regulatory scrutiny, export control restrictions or licensing requirements by relevant countries, particularly by U.S. or European authorities. Failure to comply with these laws and regulations could result in significant penalties, fines or restrictions on our ability to import or use critical equipment. Moreover, geopolitical tensions or shifts in trade policies could further complicate our procurement processes, leading to delays, increased costs or the inability to acquire necessary technology. Such disruptions could adversely affect our production capabilities, operational efficiency and overall business performance.

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In October 2022, GYMCL, our immediate parent and Controlling Shareholder, was placed on the Unverified List (the “UVL”), which is a supplement to the EAR promulgated by the BIS of the U.S. Department of Commerce. Entities are added to the UVL where the BIS is unable to verify the legitimacy and reliability relating to the end use or end users of items subject to the EAR because an end-use check, such as a pre-license check or a post-shipment verification, cannot be completed satisfactorily for reasons outside the U.S. Government’s control. The U.S. Department of Commerce removed GYMCL from the UVL in December 2022. We cannot guarantee that we or any of our subsidiaries or Controlling Shareholders will not be included on the UVL or the BIS’ Entity List or Denied Persons List in the future. If we or any of our subsidiaries or Controlling Shareholders are placed on one of BIS’ lists in the future, we could face reputational harm, supply disruptions, restrictions or difficulties in dealing with business partners or obtaining banking facilities, or additional compliance requirements or costs, which could have a significantly adverse impact on our business and results of operations.

We may not be able to adequately protect our intellectual property, which could cause us to be less competitive. Intellectual property infringement claims or other allegations by third parties and third-party infringements of our intellectual property rights may adversely affect our business.

We rely on a combination of invention patent, utility model, design patent, trademark and trade secret laws and restrictions and confidentiality agreements on disclosure to protect our intellectual property rights. As of September 30, 2025, we had (i) a total of 558 registered patents in China, including 92 invention patents, 459 utility model patents and seven design patents, (ii) nine international patents under the Patent Cooperation Treaty, (iii) five software copyrights in China, (iv) one domain name in China, and (v) a total of 133 pending patent applications, including 86 pending applications for invention patents and 47 pending applications for utility model patents. In addition, as of September 30, 2025, we were able to use 22 Yuchai Trademarks, pursuant to the trademark license granted to us by GY. Despite our efforts to protect our proprietary intellectual property rights, third parties may attempt to copy or otherwise obtain or use our intellectual property, including seeking court declarations that they do not infringe upon our intellectual property rights. If our products are counterfeited or imitated in the market, our reputation and results of operations may be negatively affected. Monitoring unauthorized use of our intellectual property is difficult and costly, and the steps we have taken may not be able to fully prevent infringement of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources, and thus may adversely affect our business.

Furthermore, companies in manufacturing industries may be involved in litigation related to allegations of infringement of intellectual property rights, unfair competition and other violations of other parties’ rights, especially during the application for the registration with competent government authorities of intellectual property rights and trademarks. While we have not been subject to any intellectual property infringement claims in the past, we may in the future be subject to intellectual property infringement claims or other allegations by third parties for the products we provide. We may face allegations that we have infringed the invention patents, utility models and other intellectual property rights of third parties, including our competitors, or allegations that we

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are involved in unfair trade practices. Any resulting liability or expenses occurred from the intellectual property infringement claims, or changes required to our products to reduce the risk of future liability, may have a material adverse effect on our business, results of operations and prospects.

In addition, as our patents may expire and may not be extended and our patent rights may be contested, circumvented, invalidated or limited in scope, our patent rights may not protect us effectively. We may not be able to prevent our competitors from developing competing technologies, adopting technological advancements or exploiting our patented or other proprietary technologies, which could adversely affect our market position in the industry and the competitiveness of our products. As a result, our business operations, financial condition and results of operations could be materially and negatively affected.

Our business depends substantially on the continuing efforts of our senior management, key employees and qualified personnel.

We are highly dependent on our executive officers and senior management, as well as our research and development and sales and marketing personnel. Recruiting and retaining qualified personnel is critical to our success. The loss of the services of our executive officers or other key employees could impede our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop and commercialize products and services. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel. The failure to attract, integrate, train, motivate and retain these personnel could adversely affect our business, financial condition or results of operations. Furthermore, we may also need to offer higher salaries and other benefits to attract and retain future talent, which may lead to increased human resource costs and decreased profitability.

Any labor shortages, increased labor cost or other factors affecting our labor force may adversely affect our business, profitability and reputation.

The average wage in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. To sustain the growth of our business, we may need to increase our workforce of experienced management and skilled personnel to implement our expansion plans and conduct our R&D projects to facilitate our future strategies. Any labor shortage, which can cause suspension or slowdowns at our production bases, may significantly disrupt our business operations or delay our expansion plan. We may have difficulties in hiring or retaining sufficient and qualified employees. Given the economic growth and rising living standards in China, competition for qualified personnel, such as research and development experts and engineers, is intense, and labor costs have been increasing generally, and we anticipate there will be an upward pressure on our labor costs and employees’ salaries and benefits in the foreseeable future. We cannot assure you that we can retain and attract sufficient qualified employees on commercially reasonable terms, or at all. Any failure to attract qualified personnel at reasonable cost and in a timely manner could reduce our competitive advantages

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relative to our competitors, undermining our ability to expand our growth in revenue and profits. Increases in our labor costs could adversely affect our business, financial condition or results of operations.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and limitation with respect to utilization of labor dispatching, labor protection and labor condition and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law and its implementation rules, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employee’s probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

Any unexpected disruption at our production facilities could materially and adversely affect our business, financial condition and results of operations.

Our ability to meet the demand of our customers and grow our business relies on the efficient, proper and uninterrupted operation of our production facilities and a constant and sufficient supply of utilities. Although we have not experienced any material disruption in our production, or damage to our production equipment and facilities during the Track Record Period, in the event of earthquake, fire, drought, flood or other natural disaster, political instability, riot or civil unrest, extended outage of critical utilities or transportation systems, terrorist attack or other events that limit or disrupt our ability to operate our production facilities, we may experience substantial losses, including loss of revenue from disrupted production. We may also need to incur substantial additional expenses, exceeding our insurance coverage to repair or replace any damaged equipment or facility. In addition, our ability to manufacture and supply products and our ability to meet our delivery obligations to our customers would be significantly disrupted and our relationships with our customers could be damaged, which could have a material and adverse effect on our business, financial condition and results of operations.

Outbreaks of communicable diseases may materially and adversely affect our business, financial condition and results of operations.

We face risks related to health epidemics or outbreaks of communicable diseases. In general, our business had in the past and could in the future be adversely affected by the outbreak of communicable diseases, such as COVID-19, severe acute respiratory syndrome (SARS), the H1N1 and H5N1 influenza viruses, Ebola or Zika fever. Such communicable diseases could result in a widespread health crisis that could adversely affect general commercial activities and the economies and financial markets of many countries, as well as our business, financial condition or results of operations.

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Beginning in late 2019 and early 2020, the COVID-19 pandemic resulted in temporary closure of many manufacturing facilities and factories across China and the world, and our industry and many others experienced increased supply lead time, supply disruption and limited transport and shipment options from and to affected regions. There is no assurance that a new outbreak of COVID-19 or other wide-spread communicable diseases will not occur again. Outbreaks of communicable diseases have led to, and in the future could lead to our factory closures, workforce shortages, supply chain disruptions, transportation disruptions or similar consequences. The duration of such business disruptions and their resulting financial and operational impacts cannot be predicted or reasonably estimated.

Our operations are subject to inherent operational and safety risks and occupational hazards, which could cause us to incur substantial costs and subject us to administrative or other penalties and compensation claims.

Our production operations could be disrupted for reasons beyond our control. The cause of disruptions may include extreme weather conditions, fire, natural catastrophes, equipment and system failures, labor force shortages, labor disputes or environmental issues. Any significant disruption to our operations could adversely affect our ability to make and deliver products to customers in a timely manner. In addition, given the nature of our business and operations, events or incidents may occur that cause personal injury and property damages and could result in the imposition of administrative or other penalties on us or expose us to significant compensation claims. Therefore, the occurrence of any of these events or incidents could have a material and adverse effect on our business, financial condition and results of operations.

Our product warranties provisions may not be sufficient to fully cover future warranty claims, which could materially and adversely affect our business, prospects, financial condition, results of operations, and cash flows.

Our quality warranties are mainly for repairing or replacing faulty components of our engines. We have been maintaining warranty provisions to cover warranty-related claims. Our product warranty provisions were RMB31.0 million, RMB50.2 million and RMB78.3 million as of December 31, 2023 and 2024 and September 30, 2025, respectively. If our product warranty provisions are inadequate to cover future warranty claims on our products, our financial condition, results of operations and cash flows could be materially and adversely affected. We expect to record and adjust warranty provisions based on changes in estimated costs and actual warranty costs. However, we cannot assure you that our warranty provisions will be sufficient to cover all warranty claims in the future. We may be subject to significant and unexpected warranty expenses, for which we have failed to make adequate provisions.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs.

Insurance companies in China currently offer limited business-related insurance products. We maintain certain insurance policies to cover potential property loss, physical injuries or medical expenses involving third parties that occur on our premises. We consider our insurance coverage to be in line with what we believe to be customary in our industry. However, we cannot assure you

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that our insurance coverage in terms of amount, scope and benefit is sufficient. Any uninsured risks and liabilities may result in substantial costs and the diversion of resources, which could adversely affect our results of operations and financial condition. Such risks include, among others, loss of key management and personnel, business interruption, litigation or legal proceedings, natural disasters such as epidemics, pandemics or earthquakes, terrorist attacks and social instability or any other events beyond our control, and any such risk could potentially result in a material adverse effect on our business, financial condition and results of operations.

We cannot assure you that we will continue to receive preferential tax treatment by the PRC government in the future.

We enjoy certain preferential tax treatment under relevant preferential tax policies, allowing us to have a lower tax rate. Pursuant to the Western Region Development Policy of the PRC government, since January 1, 2021, we have been enjoying a preferential tax rate of 15%, which is scheduled to expire on December 31, 2030. Furthermore, On November 28, 2024, we were recognized as a “High and New Technology Enterprise” and as a result, were entitled to a preferential corporate income tax rate of 15% through December 31, 2026. In addition, we are entitled to additional tax deductions for R&D expenses. There cannot be any assurance, however, that we will be able to extend or otherwise continue to receive the same or similar preferential treatment once the current tax concession or preferential tax treatment expires, and if we are no longer qualified for the relevant preferential tax treatment, we will be subject to a higher effective income tax rate. Furthermore, to the extent that there are any changes in, or withdrawals of, any preferential tax treatment applicable to us, or increases in the tax rate, our tax liability would increase correspondingly. In addition, the PRC government may from time to time adjust or change its policies on VAT, business tax and other taxes. Such adjustments or changes could also have an adverse effect on our results of operations.

If we do not continue to receive government grants in the PRC, our business, financial condition and results of operations may be adversely affected.

During the Track Record Period, we received government grants in the form of subsidies from relevant government authorities as incentives for our research and development projects and production facility expansion projects. In 2023, 2024 and the nine months ended September 30, 2025, we recorded government grants of RMB3.0 million, RMB21.9 million and RMB41.6 million, respectively.

The industry-specific subsidies are mainly non-recurring subsidies provided by local governments to support various industry-related research and development activities and fixed asset investment. Such government grants may be discretionary and are subject to certain selection criteria and procedures stipulated by the local governments, which we may not be qualified for in the future. In addition, local governments may switch the focus of their support of research and development activities and fixed assets investments to other industries over time. We can neither assure you that any changes would be favorable to our business, nor that we will be able to receive

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any such government grants in the future. If we do not receive government grants, or the amount of government grants we are entitled to decreases, in any subsequent period after the Track Record Period, our financial condition and results of operations for such period may be adversely affected.

We are subject to potential adverse consequences due to legal defects in respect of a parcel of land and certain properties we leased in China.

We leased a parcel of land and a number of properties for our factories, research space, warehouse and offices in China during the Track Record Period. We may need to find alternative premises if these properties are unavailable for use due to ownership defects, default by the lessor or adjustment of the government provisions in the future. As such, our usage of such leased land and properties may be disrupted, and we may need to relocate the relevant functions somewhere else and additional relocation costs will be incurred.

Pursuant to the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (2020 Amendments) (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例(2020修訂)》), the lease of allocated land and any property built thereon should be approved by the local land administrative authority and housing administrative authority. In addition, allocated land or properties built thereon may not be transferred, leased, or mortgaged, unless, among others, title proof documents of the relevant properties have been obtained, and the assignment agreements have been entered into with the assignment fees thereof be paid to the state. Otherwise, the land administrative authority may confiscate the illegal income and impose a fine on the unit or individual who transfers, leases or mortgages such allocated land without approval. As of the Latest Practicable Date, the land parcel we leased was allocated land and certain of our leased properties were also located on allocated land, the leasing of such land and the properties had not obtained valid prior approvals from the local land and housing administrative authorities. We have received confirmation letters from the competent local housing administrative authority and the competent local land administrative authority, respectively, confirming that (i) the relevant lessors can continue to lease such land and the properties thereon to us, and (ii) we can continue to use such land and properties as usual on an as-is basis. See “Business — Properties” in this document for further details. Nevertheless, we cannot assure you that the lessors of the relevant land and properties will not be subject to any challenges, lawsuits or other actions taken against the land or the relevant properties leased by us. If the relevant lessors’ rights with respect to such land and properties were successfully challenged, we may be forced to relocate our operations. Our business, financial condition and results of operations may be materially and adversely affected.

In addition, all of our lease agreements of our main leased properties have not been registered with the relevant PRC government authorities as of the Latest Practicable Date. Our PRC Legal Advisor is of the view that the non-registration and filing of the relevant property lease will not affect the validity of the lease contracts and the legal use of the leased properties, but relevant local housing authorities may require us to complete the filing within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 for each of such properties if we fail to file within the prescribed period. See “Business — Properties” in this document for further details. Even if certain properties we leased have property title and the lease agreements are properly

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registered, we cannot assure you that we would be able to renew the relevant lease agreements without substantial additional cost or increase in the rental cost payable by us. If a lease agreement is renewed at a rent substantially higher than the current rate or otherwise on terms less favorable than the existing terms, our business and results of operations may be adversely affected.

Any strategic acquisitions or [REDACTED] that we undertake could be difficult to integrate, which in turn may adversely affect our business, financial condition and results of operations.

We may undertake strategic acquisitions or [REDACTED] in order to grow our business. Strategic acquisitions or [REDACTED] involve numerous risks, including potential difficulties in the retention and assimilation of personnel, the difficulties associated with integrating the operations and culture of the acquired business or investee companies, diversion of management’s attention from other business concerns and risks related to the new technologies, products or markets with which we have less experience. In addition, strategic acquisitions or [REDACTED] may result in the incurrence of debt or other liabilities and the amortization of expenses related to goodwill and other intangible assets, as well as the potential assumption of legal liability in respect of the acquired business or [REDACTED] companies. Therefore, we cannot assure you that we will be successful in realizing any of the anticipated benefits in respect of any strategic acquisition or [REDACTED] we may undertake. If we fail to effectively manage and resolve the risks associated with our strategic acquisitions or [REDACTED] or realize the anticipated benefits from such strategic acquisitions or [REDACTED], our business, financial condition and results of operations may be adversely affected as a result.

Failure to make adequate contributions to employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of its employees up to a maximum amount specified by the relevant local government from time to time.

During the Track Record Period, we failed to make full contributions to social insurance and housing provident fund for certain of our employees in accordance with the relevant PRC laws and regulations. In 2023, 2024 and the first nine months of 2025, the shortfall amounts were approximately RMB0.2 million, RMB0.3 million and RMB0.5 million, respectively. See “Business — Employees — Social Insurance and Housing Provident Fund Contributions” in this document for details. Although as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds from the competent regulatory authorities, we cannot assure you that we will not be required by competent authorities to make up for any underpaid employee benefits, or to pay any late fees or fines in relation thereof. Pursuant to relevant PRC laws and regulations, the relevant PRC authorities may (i) demand us to pay the outstanding social insurance contributions within a prescribed period and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be

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liable to a penalty of one to three times the amount of the outstanding contributions; and (ii) order us to pay the outstanding housing provident fund contributions within a prescribed time period, failing which the relevant PRC authorities may apply to the People’s Court for compulsory enforcement. If we are required to make up for any underpaid employee benefits, or any late fees or fines in relation thereof, our business operations or financial condition could be adversely affected.

We are dependent on information technology and our systems and infrastructure face certain risks, including cybersecurity risks and data leakage risks.

We are dependent on information technology systems and infrastructure to support our operations, manage data and conduct business activities. Therefore, our business is dependent on the continued operation and proper functioning of our information systems and network infrastructure. Disruptions to or malfunctioning of such information systems and network infrastructure could lead to operational delays, loss of data, reduced productivity and delayed delivery of products to customers, which in turn could adversely affected our business, financial condition, results of operations and reputation.

In addition, we must keep pace with technical advancements and continuously invest substantial resources including financial and human capital to maintain, upgrade and expand our information technology system and infrastructure to support our business growth and expansion. Rapid technological developments may render our existing systems and infrastructure obsolete. This could result in us suffering significant losses and materially and adversely affect our operating performance. If our efforts in making investments in and upgrading our information systems and infrastructure are unsuccessful, our business operations and prospects could be materially and adversely impacted.

Furthermore, our dependence on information technology systems and network infrastructure exposes us to cybersecurity threats, data leakage and other related risks. We cannot be certain that advances in criminal capabilities such as cyberattacks, malware or exploitation of vulnerabilities in our or third-party systems, will not compromise or breach the technology protecting our systems or the systems and networks of third parties that access and store sensitive information about us, our customers or suppliers. Cyber threats like phishing and trojans could intrude into our or a third party’s network to steal data or to seek sensitive information about us or our customers or suppliers. Any intrusion into our or such third party’s network that results in any breach of security could cause damage to our reputation and adversely impact our business and financial results. A significant failure in security measures could have a material adverse effect on our business, reputation, results of operations and financial condition. Although we seek to implement measures to protect sensitive and confidential client data, there can be no assurance that we would be able to prevent breaches of security. While we have developed and implemented a cybersecurity risk management program, there can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information.

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Any failure to comply with the various applicable laws and regulations related to data security and cybersecurity could subject us to reputational damages as well as liabilities, penalties or other regulatory actions.

We are subject to laws and regulations relating to the collection, storage, use, processing, transmission, retention, security and transfer of personal information and other data we collect in the normal course of our business. Any improper handling of personal information or any breach of cybersecurity or other information security related incidents, such as unauthorized access to our data by hackers, could subject us to reputational damages as well as liabilities, penalties or other regulatory actions.

In particular, as our business and operations are mainly conducted in China, we are subject to the PRC laws, rules and regulations, including those related to data security and cybersecurity. PRC regulators have intensified their focus on regulating data security and data protection, reflecting the growing importance of these areas in the digital economy. China has introduced a series of stringent laws and regulations, including the Cyber Security Law, the Data Security Law, and the Personal Information Protection Law (PIPL), which impose comprehensive requirements on data collection, storage, processing, transmission, and cross-border transfers. These regulatory frameworks mandate that companies implement robust data protection measures, conduct risk assessments, and ensure compliance with data classification and grading standards. Additionally, businesses are required to report security incidents, obtain necessary approvals for data exports, and adhere to strict guidelines for handling sensitive and personal information. The evolving nature of these regulations means that compliance requirements are subject to change, and we must continuously monitor and adapt to new rules and enforcement practices. We believe that our existing practices are compliant with applicable requirements imposed under the foregoing laws, rules and regulations, including the regulations or policies that have been issued by the Cyberspace Administration of China, in all material respects. However, we cannot preclude the possibility that new laws, regulations or rules promulgated in the future will impose additional compliance requirements on us, will subject us to the cybersecurity or national security review in relation to our operations, or will require us to change our business practices or incur additional operating expenses, which may have material and negative impacts on our business, financial condition and prospects and the value of our securities.

We are required to comply with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations, and non-compliance with such laws and regulations by us or any other person associated with us could subject us to administrative, civil and criminal penalties, reputational damages and other collateral consequences, remedial measures and/or legal expenses.

We must adhere to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in various jurisdictions in which we conduct our operations or other business activities. We have adopted policies and procedures designed to ensure compliance with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations by our employees, suppliers, representatives, consultants, agents, distributors and business partners. However, our policies and

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procedures may not be sufficient or our such policies and procedures may not be effectively implemented due to any weakness or deficiency in our internal control system, and our directors, officers, employees, suppliers, representatives, consultants, agents, distributors and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering, or financial and economic sanctions laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, reputational damages and other collateral consequences, remedial measures and/or legal expenses, any of which could materially and adversely affect our business, reputation, financial condition and results of operations.

In addition, certain countries or international organizations, including the U.S., the European Union, the United Nations, the United Kingdom and Australia, have, through executive order, legislations or other government means, implemented measures that impose economic sanctions against certain countries, regions or targeted sectors, groups of companies or persons, and/or organizations within such countries and regions. Sanctions laws and regulations are continually evolving, with new individuals and entities regularly being added to the list of sanctioned persons. Moreover, new requirements or restrictions may come into effect, potentially intensifying scrutiny on our business, particularly concerning our international expansion plans, or resulting in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of relevant jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose.

Any fraudulent or illegal activity or other misconduct by our employees, our business partners or any other persons associated with us, could potentially expose us to significant legal liabilities, reputational harm or other damages.

Our business operations are vulnerable to negligence, fraud, embezzlement, corruption, bribery or other illegal activities and misconduct by our employees, our business partners, including customers and suppliers, or any other person associated with us. These activities can lead to significant financial losses, legal liabilities, fines and other penalties imposed by competent government authorities, as well as result in reputational damage. Despite our efforts to implement robust internal controls and compliance measures to detect and prevent such activities, there is no guarantee that these measures will be able to effectively prevent any occurrence of illegal activities by our employees, customers, suppliers or other persons associated with us. Failure to detect and prevent violations of laws and regulations by our employees, business partners or other persons associated with us in terms of the abovementioned illegal activities may damage our brand and reputation and subject us to administrative or legal proceedings and penalties. Consequently, fraudulent or illegal activities or other misconduct by our employees, our business partners or any other persons associated with us could materially and adversely affect our business, financial condition and results of operations.

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We may be subject to risks related to the PRC authorities’ investigatory actions against and the alleged misconduct of certain former directors and senior management personnel of our Controlling Shareholders.

In July 2025, it was reported that the former deputy party secretary and chairman of the board of directors of GY, Mr. Yan Ping (“**Mr. Yan**”), was subject to disciplinary review and investigation by the Discipline Inspection Commission of Guangxi Zhuang Autonomous Region’s Communist Party Committee and the Supervisory Commission of Guangxi Zhuang Autonomous Region on suspicion of serious disciplinary and legal violations. Mr. Yan also served as the chairman of GYMCL from May 2005 to September 2018, and concurrently as deputy party secretary and chairman of the board of directors of GY from May 2005 to December 2020. He retired from all such positions in December 2020. In addition, it was also reported in October 2025 that two other individuals, Mr. Wu Qiwei (“**Mr. Wu**”) and Ms. Qin Xiaohong (“**Ms. Qin**”) were detained by the PRC authorities. Mr. Wu was a director of CYI, a director and president of GYMCL, and a director of MTU Yuchai, while Ms. Qin was the chief accountant of GYMCL. Mr. Wu subsequently resigned as a director and the president of GYMCL and as a director of CYI, with effect from October 2025, and as a director of MTU Yuchai, with effect from November 2025. Ms. Qin’s position as chief accountant was terminated by GYMCL in August 2025.

As of the Latest Practicable Date, and having made enquiries with CYI, GY and GYMCL, we were not aware of any further developments regarding the aforementioned investigations. Our Company is not a party to any of those investigations and has not received any notifications, enquiries, or requests for assistance from the relevant authorities in connection with those matters.

None of Mr. Yan, Mr. Wu and Ms. Qin had assumed any position with or has ever been in the employment of our Company. As all major operational, business, and financial decisions of our Company during the Track Record Period were made by the Board, senior management, and/or the Shareholders as a whole in accordance with the Articles of Association and established procedures, we do not expect the foregoing investigations of Mr. Yan, Mr. Wu or Ms. Qin to have any material effect on our business, financial condition or results of operations. However, until the investigations are complete, we are subject to risk of uncertainty concerning the implications of such investigations. Depending on the outcome of the investigation of Mr. Yan, Mr. Wu and Ms. Qin, we cannot assure you that the alleged misconduct of Mr. Yan, Mr. Wu and Ms. Qin and the related investigations may not have a material adverse effect on our reputation and business prospects.

We may, from time to time, be involved in claims, disputes, lawsuits and other legal and administrative proceedings in the ordinary course of our business.

We may, from time to time, be involved in claims, disputes, lawsuits and other legal and administrative proceedings in the ordinary course of our business. These legal matters can arise from various aspects of our business operations, including contractual disagreements, regulatory compliance issues, intellectual property disputes and employment-related matters. Such proceedings carry inherent uncertainty, and unfavorable outcomes including monetary damages, injunctive relief or settlement could impose substantial financial obligations, increased operational expenses or diversion of management resources. Additionally, these actions could expose us to negative

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publicity, which may harm our reputation and negatively impact customer and investor confidence. In addition, any litigation or legal proceedings could incur substantial legal expenses. Failure to effectively manage or resolve these matters in a timely manner could materially disrupt business continuity, strain our financial resources and adversely impact our operational and financial performance.

Our Controlling Shareholders have the ability to exercise control over us and their interests may differ from those our other Shareholders.

Immediately following the [REDACTED], GYMCL, our immediate Controlling Shareholder, will hold approximately [REDACTED]% of Shares in our Company, assuming the [REDACTED] is not exercised. As of the Latest Practicable Date, GYMCL was owned as to approximately 76.41% by CYI through its six wholly owned subsidiaries, which was in turn controlled by HLA. As of the Latest Practicable Date, HLA beneficially owned 48.70% of CYI’s shares and a special share that entitles it to elect a majority of CYI’s directors and no shareholders’ resolution may be passed without the affirmative vote of the special share. See “History, Development and Corporate Structure — Major Development and Shareholding Changes of the Company — Relationship between the Company, CYI, HLA and GY Entitles” in this document. Through GYMCL’s stock ownership and voting control of our Company, GYMCL and our other Controlling Shareholders are able to exercise control over our business and affairs, including decisions for mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, election of directors and other significant corporate actions. There can be no assurance that the actions of GYMCL and our other Controlling Shareholders will be in the best interests of our other Shareholders.

The concentration of ownership interests and the significant influence of our Controlling Shareholders over us may discourage, delay or prevent a change of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and result in a depressed price for our Shares.

RISKS RELATING TO OUR DOING BUSINESS IN THE PRC

Inability to adapt to evolving economic, political or social conditions, or changes in government policies, laws or regulations in the PRC, may adversely impact our business financial condition and results of operations.

Our business, financial condition and prospects may be influenced by general economic, political and social conditions in the PRC. Given that our business, assets and operations are largely located in China, we remain particularly exposed to the evolving regulatory landscape and general economic conditions in the PRC. The PRC government regulates the economy and industries by implementing industrial policies, setting fiscal and monetary policies and adopting and enforcing laws and regulations. Through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing governmental policy support to specific industries or enterprises, the PRC government exerts significant influence over China’s economic growth.

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Our performance has been, and will continue to be, materially impacted by economic conditions in China, which, in turn, is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China’s economic growth. In addition, China’s economy has experienced significant growth in the past few decades, and the PRC government has implemented various measures to drive or encourage the continued economic growth. These measures may benefit the overall Chinese economy but may not have the same effect on us if we fail to anticipate and effectively respond to the development trend and changes of China’s economy. To ensure our continued business success, we must be able to continuously adapt to and rapidly respond to evolving economic, political or social conditions, or changes in government policies, laws or regulations in the PRC.

We are subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with the [REDACTED] and future capital raising activities.

In connection with this [REDACTED] and any future capital raising activities, we are subject to the approval, filing and regulatory oversights by the competent authorities of the PRC. On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) along with their implementation guidelines (the “Overseas Listing Trial Measures”). These measures, which came into effect on March 31, 2023, outline the scope of activities subject to the filing requirement, the responsible entities and the procedural steps for overseas listings. See “Regulatory Overview — Regulations on Securities and Overseas Listing — Overseas Listing” in this document. Under the Overseas Listing Trial Measures, we are required to file with the CSRC following the submission of our [REDACTED] [REDACTED]. However, there is uncertainty as to whether we will be able to complete the filing procedures or obtain approval for this [REDACTED] in a timely manner or at all. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as an order to rectify, warnings and/or fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. In addition, such failure may restrict our ability to complete the proposed [REDACTED] and to finance the development of our business and may have a material and adverse effect on our business, financial condition and prospects.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “Archives Rules”), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a

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sound confidentiality and archives system and take necessary measures to implement their confidentiality and archives management responsibilities. Any failure to comply with the Archives Rules may expose us to regulatory sanctions, operational disruptions or reputational harm, which may materially and adversely affect our business, financial condition and prospects.

We are closely monitoring the potential operational and financing impacts of these regulations. In addition, if the CSRC or other PRC regulatory authorities in the future promulgate new rules or explanations imposing further requirements that we obtain their approvals or complete the required filing or other regulatory procedures for this [REDACTED] or future capital raising activities, there can be no assurance that we will be able to obtain a waiver of such requirements, if and when procedures are established to obtain such a waiver. Any unforeseen situations or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, financial condition, prospects and the [REDACTED] price of our Shares.

It may be difficult to effect service of legal process and enforcing judgments against us or our Directors and senior management or to enforce judgments of non-PRC courts against them.

We are a company incorporated under the laws of the PRC and a significant portion of our assets and subsidiaries are located in China. In addition, the majority of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may not be possible to effect service of process upon most of our Directors and senior management outside China. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if certain requirements are met. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

On July 14, 2006, the Supreme People’s Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “2006 Arrangement”). Under the 2006 Arrangement, where any designated People’s Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People’s Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into such a choice of court agreement in writing. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not entered into a jurisdiction agreement in writing under the 2006 Arrangement.

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On January 18, 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**2019 Arrangement**”) was signed between the Supreme People’s Court of China and Hong Kong government.

Comparing with the 2006 Arrangement, the 2019 Arrangement establishes a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and China in civil and commercial matters under both Hong Kong and PRC law. The 2019 Arrangement will apply to judgments made by the courts of Hong Kong and China on or after its commencement date, which will be announced by Hong Kong and China after necessary procedures of both places have been completed. The 2006 Arrangement will be superseded upon the effective date of the 2019 Arrangement, being January 29, 2024. However, the 2006 Arrangement will remain applicable to a “jurisdiction agreement in writing” as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement taking effect. However, since the 2019 Arrangement is newly effected and promulgated, its interpretation, application and enforcement remain uncertain.

We are a PRC enterprise, and we are subject to PRC tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.

Non-PRC-resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the ITT Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the non-PRC-resident individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui [1994] No. 20) issued by the MOF and the STA on May 13, 1994, the income gained by foreign individuals from dividends and bonuses of foreign-invested enterprise are exempted from individual income tax for the time being. On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》) pursuant to which the PRC government is planning to cease foreign individuals’ tax exemption for dividends obtained from foreign invested enterprises, and the MOF and the STA should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the STA. Considering these uncertainties, non-resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from the H Shares.

Pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the STA on March 30, 1998, from January 1, 1997, gains realized by individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. As of the Latest Practicable Date, no

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aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-PRC-resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, we cannot assure you that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC-resident individual holders on gains from the sale of H Shares. For non-PRC-resident enterprises that do not have establishments or premises in China, and for those have establishments or premises in China but whose income is not related to such establishments or premises, under the PRC Enterprise Income Tax Law and its implementation regulations, dividends paid by us (including payments via the Central Clearing and Settlement System) and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC enterprise income tax at a 10% rate unless otherwise reduced or exempted by relevant tax treaties or similar arrangement. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC-resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by STA on November 6, 2008, the withholding tax rate for dividends of the year of 2008 and onwards payable to non-PRC-resident enterprise holders of H Shares will be 10%. Non-PRC-resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities’ approval. Despite the arrangements mentioned above, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities and the PRC tax laws and regulations may also change, which may adversely affect the value of your [REDACTED] in our H Shares.

We are subject to the currency exchange regulatory system of the PRC.

We are subject to the currency exchange regulatory system on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers, if any. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency or otherwise satisfy our foreign currency denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be

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able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares, and their liquidity and market price following the [REDACTED] may be volatile.

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of [REDACTED]. The initial [REDACTED] for our H Shares to the public will be the result of negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the market price of the H Shares following the [REDACTED].

We have applied to the Hong Kong Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the H Shares (including any H Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED] and the H Shares to be converted from Unlisted Shares). A [REDACTED] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] market for the H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the H Shares will not decline following the [REDACTED]. If an active [REDACTED] market for our H Shares does not develop following the completion of the [REDACTED], the market price and liquidity of our H Shares could be materially and adversely affected.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the [REDACTED], any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider [REDACTED] and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

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We cannot assure you that we will declare and distribute any amount of dividend in the future.

There can be no assurance that we will declare and pay dividends in the future because the declaration, payment and amount of dividends are subject to the determination of our Directors in their discretion, based on a variety of considerations and factors, including, but not limited to, our operations, earnings, cash flows, financial position, operating and capital expenditure requirements, our strategic plans, business development prospects.

Furthermore, under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. Moreover, our subsidiaries in China may not have distributable profit as determined under the PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Failure by our subsidiaries to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future [REDACTED], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your [REDACTED].

During the Track Record Period, a vast majority of our expenditures were denominated in Renminbi, and a vast majority of our financial assets are also denominated in Renminbi. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our H Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi denominated [REDACTED] or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when

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we translate our Hong Kong dollar denominated financial assets into Renminbi, including [REDACTED] from the [REDACTED], as Renminbi is the functional currency of our Company and our subsidiaries inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Since there will be a time gap of several days between the pricing and the [REDACTED] of our H Shares, holders of our H Shares are subject to the risk that the price of our Shares could decline before the trading in our H Shares on the Hong Kong Stock Exchange commences.

The [REDACTED] of our H Shares is expected to be determined on the [REDACTED]. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is anticipated to be two business days after the [REDACTED]. As a result, [REDACTED] may not be able to sell or otherwise [REDACTED] our H Shares during this period. Consequently, holders of our H Shares are subject to the risk that the price of our H Shares could decline before [REDACTED] begins due to adverse market conditions or other negative developments that may occur between the time of sale and the commencement of [REDACTED].

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. [REDACTED] in our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by us that our plans or objectives will be achieved and [REDACTED] should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. See “Forward-looking Statements.”

Certain facts, forecasts and statistics in this document are derived from publicly available sources and they may not be reliable.

Certain facts, forecasts and statistics in this document relating to the PRC, our industry the general economy and oversea markets have been compiled partly from various publicly available sources that we believe are reliable. However, we cannot assure you the quality or reliability of these sources. We believe that the sources of this information are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from such sources has not been independently

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verified by us, the Joint Sponsors, the [REDACTED], or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and actual facts, and other problems, the statistics in this document relating to the PRC, our industry, global economy and overseas markets may be inaccurate and you should not place undue reliance on it.

[REDACTED] should read the entire [REDACTED] carefully and should not consider any statements in this document or in published media reports without carefully considering the risks and other information contained in this document.

There had been, prior to the publication of this document, and there may be, after the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED]. We have not authorized the disclosure of any information concerning the [REDACTED] in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or in conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, [REDACTED] are cautioned to make their decisions on the basis of the information contained in this document only and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, our Company must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant’s executive directors must be ordinary resident in Hong Kong. Since all of the business operations of our Group are managed and conducted outside Hong Kong, and all of our executive Directors ordinarily reside outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors. As such, our Company does not have and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under the Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed Mr. Lu Yuming, our executive Director and Ms. Mak Sin Ki, one of our joint company secretaries, as authorized representatives of our Company, to be the principal channel of communication with the Stock Exchange. Each of them has confirmed that he can be readily contacted by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matters on short notice. As and when the Stock Exchange wishes to contact our Directors on any matters, each of the authorized representatives will have means to contact all of our Directors (including the independent non-executive Directors) promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any change in the authorized representatives;
- (b) in addition to the appointment of the authorized representatives, to facilitate communication with the Stock Exchange, the contact details of each Director, including his/her mobile phone number, office phone number, facsimile number and e-mail address, have been provided to each of the authorized representatives and the Compliance Advisor (as defined below) who have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time as and when required;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) pursuant to Rules 3A.19 and 19A.05(2) of the Listing Rules, our Company has appointed Anglo Chinese Corporate Finance, Limited as our Compliance Advisor for the period commencing from the date of our [REDACTED] until the date on which our Company announces our financial results and distributes our annual report for the first full financial year after the date of our [REDACTED]. The Compliance Advisor will act as our Company’s additional and alternative channel of communication with the Stock Exchange, and its representatives will be readily available to answer enquiries from the Stock Exchange. Our Company will ensure that there are adequate and efficient means of communication between us, our authorized representatives, Directors and other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between us and the Stock Exchange. Our Company will also inform the Stock Exchange promptly in respect of any change in the Compliance Advisor. Meetings with the Stock Exchange and our Directors can be arranged through our Company’s authorized representatives or the Compliance Advisor, or directly with our Directors with reasonable notice; and
- (d) in addition to the Compliance Advisor’s role and responsibilities after the [REDACTED] to provide advice to our Company on the continuing requirements under the Listing Rules and applicable laws and regulations, our Company will retain a Hong Kong legal advisor to advise us on the compliance with the Listing Rules and other applicable Hong Kong law and regulations relating to securities after the [REDACTED].

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary of our Company must be a person who has the requisite academic or professional qualifications or relevant experience is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of a company secretary. The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing “relevant experience”, the Stock Exchange will consider the individual’s: (i) length of employment with the issuer and other issuers and the roles he/she played; (ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code; (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and (iv) professional qualifications in other jurisdictions.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have appointed Ms. Ye Yashi as one of our joint company secretaries. She has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rule 3.28 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Mak Sin Ki, an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who meets the requirements stipulated under Rule 3.28 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Ye for an initial period of three years from the [REDACTED] to enable Ms. Ye to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set out under Rules 3.28 and 8.17 of the Listing Rules. For further information regarding Ms. Ye and Ms. Mak, see “Directors and Senior Management” in this document.

Ms. Ye will work closely with Ms. Mak to jointly discharge the duties and responsibilities as company secretaries and assist Ms. Ye in acquiring the relevant experience as required under Rule 3.28 of the Listing Rules. Ms. Ye will also be assisted by (a) the Compliance Advisor for the first full financial year from the [REDACTED], particularly in relation to Hong Kong corporate governance practices and compliance issues; and (b) the Hong Kong legal advisor of our Company, on matters concerning our Company’s ongoing compliance with the Listing Rules and the applicable Hong Kong laws and regulations. In addition, Ms. Ye will endeavor to attend relevant trainings and familiarize herself with the Listing Rules and duties required of a company secretary of an issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the [REDACTED], on the conditions that we engage Ms. Mak, who possesses all the requisite qualifications under Rule 3.28 of the Listing Rules, to assist Ms. Ye in discharging her duties as a joint company secretary and in gaining the “relevant experience” as required under Note 2 to Rule 3.28 of the Listing Rules.

Before the expiration of the initial three-year period, the qualifications of Ms. Ye will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance will continue. In the event Ms. Ye fulfills all the requirements stipulated at the end of the initial three-year period, the above joint company secretaries arrangement would no longer be necessary for our Company.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue certain transactions which will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon the [REDACTED]. For further details about such transactions together with the [REDACTED] for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules, see “Connected Transactions” in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ning Xingyong (寧興勇)	Unit 23-1-402 Yinghua Residential Complex 86 Tianqiao West Road Yuzhou District Yulin City Guangxi Zhuang Autonomous Region China	Chinese
Lu Yuming (陸玉明)	Unit 2, Block 19 Aoyuan Garden — No.1 Garden Yulin City Guangxi Zhuang Autonomous Region China	Chinese
Huang Yongzhong (黃永仲)	Unit 48-201 Yinghua Residential Complex 86 Tianqiao West Road Yuzhou District Yulin City Guangxi Zhuang Autonomous Region China	Chinese
Non-executive chairman of the Board and non-executive Director		
Chen Hai (陳海)	Unit 2102, Block 17 Wanchang Dongfang Paris Lakeshore No. 8 Jiangbin East Road Yuzhou District Yulin City Guangxi Zhuang Autonomous Region China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Non-executive Directors		
Neo Poh Kiat (梁寶吉)	17 Dunbar Walk 459297 Singapore	Singaporean
Su Minghong (蘇鳴紅)	Flat 1401, Block 4 Dongfang Shuian Residential Complex Yuzhou District Yulin City Guangxi Zhuang Autonomous Region China	Chinese
Independent non-executive Directors		
Fan Ho (范皓)	Unit 2201, Building 3-1 No. 616 Tianfu First Street Gaoxin District Chengdu City Sichuan Province China	Chinese
Fan Conghui (范叢慧)	Room 202, Unit 2, South Block 3 Tsinghua Garden Subdistrict Tsinghua South Area Haidian District Beijing China	Chinese
Chan Ngai Fan (陳毅奮)	1/F, 8 Ho Tung Road Kowloon Tong Kowloon Hong Kong	Chinese (Hong Kong)

See “Directors and Senior Management” in this document for further details.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors and

Sponsor-[REDACTED]

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square

8 Connaught Place

Central

Hong Kong

China Galaxy International Securities

(Hong Kong) Co., Limited

20/F, Wing On Centre

111 Connaught Road Central

Central

Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal advisors to our Company

As to Hong Kong laws:

Reed Smith Richards Butler LLP

17th Floor, One Island East

Taikoo Place

18 Westlands Road

Quarry Bay

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to PRC laws:

JunHe LLP
28/F, GDH BCC
No.21 Zhujiang West Road
Zhujiang New Town
Tianhe District,
Guangzhou 510627
PRC

As to international sanctions law:

King & Wood Mallesons
18th Floor, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District
Beijing
PRC

**Legal advisors to the Joint Sponsors
and the [REDACTED]**

As to Hong Kong laws:

Haiwen & Partners LLP
Suites 601–602 & 610–616, 6/F
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

As to PRC laws:

Haiwen & Partners
20/F, Fortune Financial Center
5 Dong San Huan Central Road
Chaoyang District
Beijing
PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Auditors and Reporting Accountants

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

27/F, One Taikoo Place

979 King’s Road

Quarry Bay

Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc.,

Shanghai Branch Co.

Suite 2504, Wheelock Square

1717 Nanjing West Road

Shanghai 200040

Shanghai

China

[REDACTED]

CORPORATE INFORMATION

**Registered Office, Headquarter and
Principal Place of Business in
the PRC**

No. 88 Tianqiao West Road
Yulin City
Guangxi Zhuang Autonomous Region
China

**Principal Place of Business in
Hong Kong**

Room 1915, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Company’s Website

www.yuchaicd.com

*(The information contained on this website does not
form part of this document)*

Joint Company Secretaries

Ye Yashi (葉雅詩)
Unit 2701, Block 15
Yinfeng Central Mansion
699 Jin’an Road
Yuzhou District
Yulin City
Guangxi Zhuang Autonomous Region
China

Mak Sin Ki (麥善琪)
*(Associate of both The Hong Kong Chartered
Governance Institute and The Chartered Governance
Institute in the United Kingdom)*
Room 1915, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Authorized Representatives

Lu Yuming (陸玉明)
Unit 2, Block 19
Aoyuan Garden — No.1 Garden
Yulin City
Guangxi Zhuang Autonomous Region
China

CORPORATE INFORMATION

Mak Sin Ki (麥善琪)

Room 1915, 19/F

Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

Audit Committee

Chan Ngai Fan (陳毅奮) (*Chairperson*)

Neo Poh Kiat (梁寶吉)

Fan Ho (范皓)

Fan Conghui (范叢慧)

Remuneration Committee

Fan Ho (范皓) (*Chairperson*)

Fan Conghui (范叢慧)

Neo Poh Kiat (梁寶吉)

Nomination Committee

Fan Conghui (范叢慧) (*Chairperson*)

Neo Poh Kiat (梁寶吉)

Chan Ngai Fan (陳毅奮)

Strategy Committee

Ning Xingyong (寧興勇) (*Chairperson*)

Lu Yuming (陸玉明)

Huang Yongzhong (黃永仲)

Chen Hai (陳海)

Su Minghong (蘇鳴紅)

ESG Committee

Ning Xingyong (寧興勇) (*Chairperson*)

Lu Yuming (陸玉明)

Huang Yongzhong (黃永仲)

[REDACTED]

Compliance Advisor

Anglo Chinese Corporate Finance, Limited

Room 4001, 40th Floor Two Exchange Square

8 Connaught Place

Central

Hong Kong

CORPORATE INFORMATION

Principal Banks

Industrial and Commercial Bank of China
Yulin Jiangnan Technology Sub-branch
No. 5 Yuchai Road
Yuzhou District
Yulin City
Guangxi Zhuang Autonomous Region
China

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the Frost & Sullivan Report, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on global and China’s power generator sets industry, power generator engines industry and medium- and high-speed marine engines industry and to prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB0.6 million to Frost & Sullivan for compiling the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements primarily include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables.

The Frost & Sullivan Report is compiled based on the following assumptions: (i) the social, economic and political environment of the globe and the PRC is likely to remain stable in the forecast period; and (ii) related industry key drivers are likely to drive the market in the forecast period.

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OVERVIEW OF POWER GENERATOR SETS INDUSTRY

Introduction of Power Generator Sets

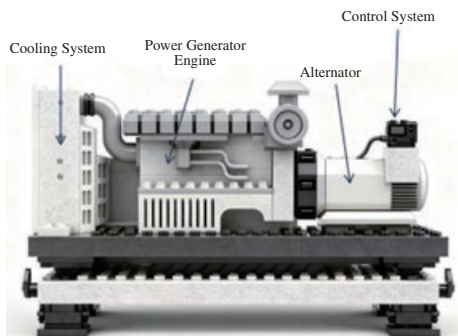
Power generator sets are comprehensive power generation assembly consisting of a power generator engine, an alternator, a control system, and auxiliary products. These auxiliaries encompass essential components such as the cooling, fuel supply, and exhaust systems. The power generator engine functions as the prime mover, converting the chemical energy of fuel into mechanical energy, which is subsequently transformed into electrical energy by the alternator. The control system and auxiliary products ensure stable and efficient operation under varying load conditions. Power generator sets are primarily deployed for standby power, emergency power supply, and distributed generation systems. They are widely utilized in scenarios demanding uninterrupted and stable power supplies, such as data centers, distributed power stations, and infrastructure.

In the cost structure of power generator sets, the power generator engine serves as the core component and accounts for the highest component cost of BOM (bill of materials), typically representing approximately 65% of the total BOM. The power generator engines industry is technology intensive. The engine design and manufacturing require critical technologies, including structural design, combustion control, thermal efficiency optimization, precision machining, and material innovation. These technologies directly determine the operational reliability, energy efficiency, and environmental emission performance of the power generator sets, constituting the product’s core competitive advantage.

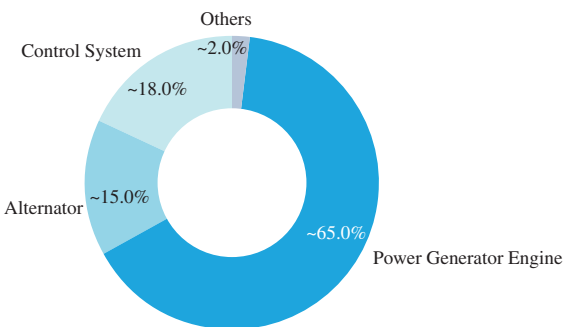
With the continuous growth of the global economy and the rapid increase in electrification, the demand for power stability and continuity is rising steadily. Particularly in regions with insufficient grid supply or in critical load scenarios, such as data centers, distributed power stations, and infrastructure, high-reliability power generator sets have become essential equipment for ensuring power continuity. Leveraging their rapid start-stop capabilities and independent operation, they provide stable emergency and standby power for critical loads or off-grid applications.

Key Components and Cost Structure of Power Generator Sets

Key Components of Power Generator Sets



Cost Structure of Power Generator Sets



Source: Frost & Sullivan

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Value Chain of Power Generator Sets

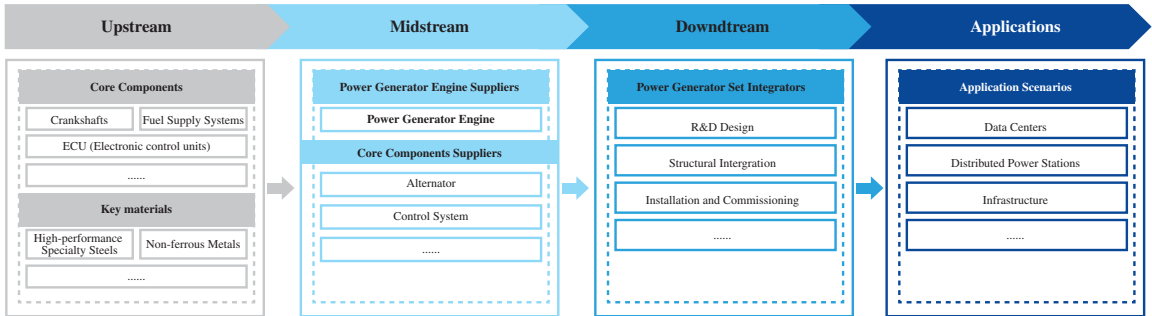
The upstream of the power generator set value chain primarily involves the supply of key materials and core components. Key materials include high-performance specialty steels and non-ferrous metals, the properties of which directly determine the structural integrity, thermal resistance, and corrosion resistance of the units. Core components encompass essential parts such as crankshafts, fuel supply systems, electronic control units (ECUs) and others, all of which are pivotal factors influencing the overall performance and reliability of the final product.

The midstream of the value chain is dominated by suppliers of power generator engine, alternator, control system, and other components. As the core power unit of the power generator set, the power generator engine directly determines the output power, fuel economy, and operational stability of the entire machine. This segment is characterized by high technical and capital barriers, resulting in significant market concentration. Leading enterprises leverage precision machining processes, advanced combustion control technologies, and high-performance materials to build products excelling in high reliability, low emissions, and high energy efficiency, providing critical support for downstream manufacturing.

The downstream of the industry primarily consists of OEMs, who are power generator set integrators responsible for R&D and design, structural integration, and installation and commissioning. The core expertise of this segment involves the seamless integration of key modules, such as the engine, alternator, and control system, into power generator sets through precise power matching, structural optimization, and electronic control system integration to satisfy diverse application requirements. Leveraging technical expertise in system reliability, energy efficiency management, and intelligent control, OEMs possess core competitiveness in differentiated product design, scenario adaptation, and the delivery of comprehensive turnkey solutions.

Power generator sets are widely used in various industries such as data centers, distributed power stations, and infrastructure. These fields have extremely high requirements for power continuity and reliability, driving continuous innovation in power generator sets redundancy design, remote monitoring, and intelligent operation and maintenance. The increasing demand across various industries for increased power capacity and system stability, particularly for high-power units, is driving the power generator set industry to evolve toward enhanced power density, optimized operational efficiency, and advanced intelligent control systems.

Value Chain of Power Generator Sets Industry



Source: China Internal Combustion Engine Industry Association (CICEIA), Frost & Sullivan

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OVERVIEW OF POWER GENERATOR ENGINES INDUSTRY — DIESEL, GAS AND NEW FUEL ENGINES

Introduction of Power Generator Engines Industry

Power generator engines primarily include into diesel engines, gas engines, and new fuel engines in terms of fuel type. Among these, diesel engines utilize compression ignition and are characterized by high reliability, thermal efficiency, and relatively low fuel consumption. They are widely used in industries demanding high power and durability, such as data centers, distributed power stations, and infrastructure. Diesel power generator engines accounted for over 80% of the total power generator engine market share in terms of sales revenue in 2024. Gas engines, fueled by natural gas, coalbed methane, or synthesis gas from oil fields, operate on spark ignition. They offer advantages in clean emissions and low operating costs, primarily serving distributed energy generation systems. New fuels represent the industry’s green transition, mainly including low-carbon or potential zero-carbon fuel power systems like methanol, hydrogen and ammonia.

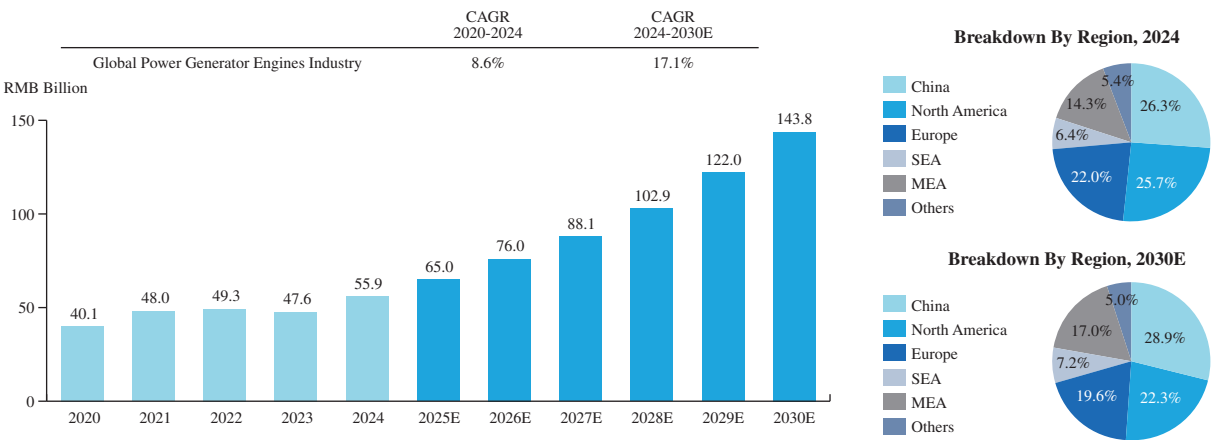
The key performance metrics of power generation engines primarily include power output, cylinder bore, and displacement. Based on power output and related metrics, these engines can be classified into medium- to light-duty engines which has power output below 500 kW, heavy-duty engines which has power output between 500 and 1,500 kW, and large engines which has power output above 1,500 kW. Medium- to light-duty engines are characterized by their compact design, rapid startup and load response capabilities, and lower overall maintenance and operational costs. These advantages make them suitable for telecom base stations, infrastructure, and public safety and emergency response scenarios such as firefighting, disaster relief, and water conservancy. Heavy-duty engines balance high output power with fuel economy and are extensively used in infrastructure, construction, real estate, and animal husbandry, as well as mainstream generator sets. Large engines provide high power output for use cases with extremely stringent requirements on stability, vibration control, and energy efficiency, such as data centers, distributed power stations, financial institutions, and high-end manufacturing, as well as mining and oil & gas exploration. Large engines represent the pinnacle of power generator technology and showcase a company’s core competitiveness and brand strength. With the continuous development of high-power, intelligent control, and clean combustion technologies, power generator engines are undergoing upgrades towards high-power, high-efficiency, and intelligence to meet the heightened demands for power and reliability.

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Market Size of Power Generator Engines Industry

In terms of revenue, the global power generator engines market grew from RMB40.1 billion in 2020 to RMB55.9 billion in 2024, representing a CAGR of 8.6%. The global power generator engines market has experienced steady growth, driven by robust demand from downstream applications such as data centers, distributed power stations, and infrastructure. Supported by ongoing product technological upgrades and increasing demand growth from downstream applications, the global power generator engines market is expected to reach RMB143.8 billion by 2030, representing a CAGR of 17.1% from 2024 to 2030.

Market Size of Global Power Generator Engines Industry, 2020–2030E



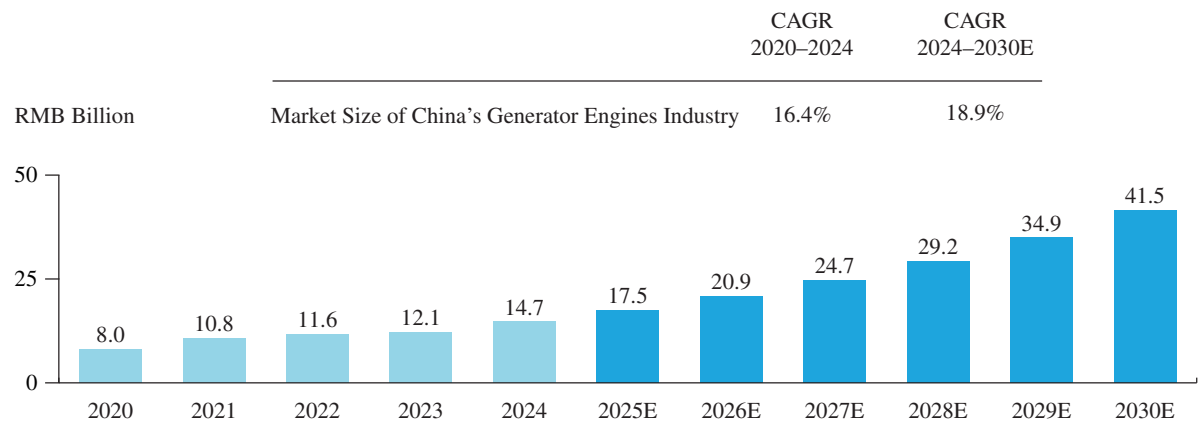
Source: China Internal Combustion Engine Industry Association (CICEIA), Frost & Sullivan

Note: This market size refers to the total revenue generated from the sale of standalone power generator engines (comprising diesel, gas, and new fuel types), excluding intra-group transfers and captive consumption for downstream power generator sets.

Benefiting from the rapid global development of artificial intelligence (AI) technology, the proliferation of distributed power stations applications, and the ongoing advancement of infrastructure, China’s power generator engines industry has shown rapid growth. The market size increased from RMB8.0 billion in 2020 to RMB14.7 billion in 2024, with a CAGR of 16.4%. Driven by the surging demand for computing power in data centers, the market size for power generator engines in China is projected to grow at a CAGR of 18.9% from RMB14.7 billion in 2024 to RMB41.5 billion in 2030.

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Market Size of China’s Power Generator Engines Industry, 2020–2030E



Source: CICEIA, Frost & Sullivan

Note: The market size refers to the total revenue generated by the sale of power generator engines in China.

Market Drivers and Developing Trends of Power Generator Engines Industry

As a critical component of the power generator set, power generator engines are witnessing a new growth cycle in market demand and technological evolution.

Sustained Growth in Downstream Market Demand

With the continuous growth of AI demand, computing power requirements have significantly increased. The power density per rack in AI data centers (AIDCs) has risen from less than 10kW to over 60kW, exceeding 120kW in some scenarios. This necessitates power generator engines that support higher power output and millisecond-level response capabilities. Concurrently, power generator engines provide crucial backup power for AIDCs, meeting the reliability, timeliness, and emergency response capabilities required by data centers. According to International Energy Agency (IEA), global electricity consumption by data centers was approximately 415TWh in 2024 and is expected to double to 945TWh by 2030, providing stable and sustained demand for power generator engines. IEA data also indicates that about 730 million people worldwide still lack access to reliable electricity. Traditional centralized power supply models struggle to address this need due to weak adaptability and high coverage costs. In contrast, distributed power stations, with their core advantages of flexible deployment, proximity to users, and controllable costs, can effectively fill the electricity supply gap, aligning with global energy accessibility needs and market growth opportunities. The continuous growth in global infrastructure demand and ongoing investment in infrastructure by countries worldwide provide a solid demand foundation for the power generator engines industry. Data from the Global Infrastructure Hub shows that infrastructure investment across 56 countries, including China and the US, increased from USD2.4 trillion in 2020 to USD2.6 trillion in 2024 and is expected to reach USD2.8 trillion by 2030. The expansion of infrastructure scale directly drives the demand for mobile and backup power for construction and facility operations.

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Rise of China’s Brands

At present, the global high-end data center power generator engines industry is dominated by leading overseas enterprises, presenting high technological and brand barriers. However, in an increasingly complex geopolitical environment, the stability of overseas supply chains has declined, leading to significantly extended delivery cycles for imported equipment. This has created an important development window for domestic manufacturers. With the accelerated growth of the AI industry, bottlenecks in overseas equipment supply have become more pronounced. Coupled with persistently rising supply chain uncertainties due to geopolitical factors, domestic large engine manufacturers are poised to seize opportunities arising from unmet market demand and accelerate import substitution. In addition, China’s engine export value achieved rapid expansion from 2020 to 2024, with export value increasing from USD3.1 billion in 2020 to USD5.4 billion in 2024, gradually increasing its global share. The localization of power generator engines presents vast market opportunities for domestic enterprises.

Demand for Turnkey Services

Against the backdrop of rapid industry development globally and in China, the demand from end customers for integrated turnkey “engine delivery + service” packages for power generator engines is becoming a notable trend. In the global market, the ongoing industrialization in developing regions, coupled with the rapid expansion of critical infrastructure like data centers, distributed power stations, and construction projects, collectively drive market preference towards complete solutions integrated with intelligent power generator engine technology. These intelligent power generator engines typically feature advanced functions such as remote monitoring, dynamic load adjustment, intelligent start-stop, and customized control systems. They enable real-time data collection, predictive fault diagnosis, and automated optimized operation. Emphasis is also placed on comprehensive after-sales support, including remote guidance, on-site maintenance, and spare parts supply, to maximize equipment availability and minimize downtime risks. In the Chinese market, driven by “Dual Carbon” goals and infrastructure investment, customers are shifting towards Energy-as-a-Service (EaaS) models. Suppliers need to provide turnkey services to meet the scaled demands of complex scenarios like microgrids. This trend not only enhances the reliability and economy of power generator engines but also allows manufacturers to secure long-term value through service contracts, laying the groundwork for optimizing business models towards service-oriented transformation.

Entry Barriers of Power Generator Engines Industry

Technological and Certification Barriers

The power generator engine industry is technology-intensive with significant technological barriers. Against a backdrop of rapid technological upgrades, companies must continuously track development trends and possess swift adaptability. As downstream markets like data centers continue to evolve, technologies used in large engines will become the core technical barrier of the industry. The primary technological challenge for large engines lies in how to simultaneously increase power and efficiency while meeting stringent emission regulations, noise control, and long-

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term reliability requirements. This is essentially a systematic balancing act between multiple conflicting objectives. Enterprises must master core technologies such as high-efficiency energy conversion, low-emission control, intelligent grid connection, thermal management, and mechanical integration. Furthermore, substantial R&D resources are required to comply with increasingly strict global standards for energy efficiency, noise, and emissions. In addition, power generator engines must pass various international certifications (such as CE, UL, CSA, and CQC). These certification processes are long and costly, making it difficult for new entrants to achieve technical breakthroughs and compliance capabilities in the short term.

Brand and Reputation Barriers

As critical equipment for uninterrupted power supply stability, the reliability, continuous operation capability, and life-cycle service level of a power generator engine directly impacts the operational continuity and electrical safety of end users. Consequently, customers rely heavily on brand reputation and a proven track record of long-term reliability during the selection process. Established leading enterprises, through years of accumulated track records and consistent product performance, have formed deep-rooted and long-term trusting relationships with key downstream customers in data centers, distributed power stations, and infrastructure. Especially in the large engines segment, where technological thresholds and reliability requirements are higher, customers increasingly value mature brands and verified operational performance. New entrants face significant market entry challenges as they lack verifiable operating records and market recognition to break through these trust-based customer barriers.

Capital and Scale Barriers

The power generator engines industry is capital-intensive, characterized by substantial initial capital outlays and ongoing operational expenditures. Market participants must commit significant capital to the construction of specialized production facilities, the procurement of high-precision machining and testing equipment, and the establishment of R&D platforms that adhere to stringent international standards. The manufacturing and validation of core components for high-power-density units require an even higher degree of precision and investment, creating a formidable barrier to entry. Furthermore, the necessity to maintain inventories of raw materials, core components, and finished products to satisfy diverse demand exerts pressure on working capital management. Established players benefit from economies of scale, which enhance their procurement bargaining power and optimize cost structures across the value chain. Consequently, new entrants face the dual challenges of prohibitive initial capital requirements and prolonged periods to achieve breakeven profitability, while mature enterprises leverage their scale to solidify their market dominance.

Challenges of Power Generator Engines Industry

Technological Innovation and Energy Efficiency Upgrading

The power generator engines industry is undergoing profound technological transformations. The core challenge lies in continuously improving the thermal efficiency and emission levels of traditional units through cross-disciplinary technical integration and system optimization.

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Simultaneously, companies must adapt to the energy transition by overcoming technical bottlenecks such as rapid response capabilities, intelligent operation and maintenance, and compatibility with new low-carbon fuels. Against a backdrop of sustained R&D investment and rising technical thresholds, the industry faces dual pressures from cost control and the divergence of technological roadmaps.

Shifts in Market Demands due to Cycles in End Markets

The power generator engines industry is influenced by macroeconomic cycles. Periodic slowdowns in manufacturing investment and infrastructure can lead to a cooling of new demand for power generator sets. Meanwhile, renewable energy and energy storage systems are gradually replacing some standby power functions in grid-connected and microgrid scenarios, compressing traditional markets. However, the surge in data center expansion driven by AI computing power, along with rigid demand from high-reliability scenarios such as distributed power stations, infrastructure, and mining sectors, is supporting steady growth in high density power generator engines.

Changing Competitive Landscapes and Diversified Competition

As Chinese enterprises expand their global footprints leveraging complete supply chain systems, flexible manufacturing capabilities, and cost control advantages, the global power generator engines industry is shifting from long-term dominance by European and American brands to a new phase of competition between Chinese and foreign firms. The focus of industry competition is gradually extending from single product performance to system integration capabilities, intelligent operation and maintenance, energy management efficiency, and life-cycle service models. The expansion of competitive dimensions has led to increased industry concentration, with resources gradually clustering toward leading enterprises. Concurrently, small and medium-sized manufacturers face immense pressure regarding technical upgrading, brand building, and investment in global service networks. If global demand growth fails to keep pace, the industry may face risks of overcapacity and declining profit margins, with the market landscape likely characterized by simultaneous divergence and consolidation.

Competitive Landscape of China’s Power Generator Engines Industry

The current China’s power generator engines market is concentrated, with high-power and high-value products clustered among leading enterprises. In 2024, the top five providers of power generator engines in China accounted for a combined market share of approximately 61.7% of the total market. Among them, the Company ranked first in the industry, accounting for a 20.2% share of the Chinese power generator engines market.

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Top 5 Power Generator Engines Providers in China, 2024

Ranking	Company	Sales Revenue (RMB Billion)	Market Share (%)
1	the Company	3.0	20.2%
2	Company A	~1.9	12.9%
3	Company B	~1.8	12.3%
4	Company C	~1.4	9.5%
5	Company D	~1.0	6.8%
Top 5		~9.1	61.7%
Total		14.7	

Source: CICEIA, Frost & Sullivan

Notes:

- Sales revenue refers to the total revenue generated from the sale of a standalone power generator engine, excluding intra-group transfers and captive consumption for downstream power generator sets.
- “China” refers to Chinese mainland only.
- Company A, founded in 1919 and headquartered in the United States, is listed on the New York Stock Exchange (NYSE). It mainly specializes in the R&D, production, and service of power systems such as engines, powertrains, and hydrogen power.
- Company B, founded in 1946 and headquartered in China, is listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange. It is primarily engaged in the R&D, manufacturing, and sales of products across various sectors, including power systems, commercial vehicles, agricultural equipment, construction machinery, and smart logistics.
- Company C, founded in 1909 and headquartered in Germany, primarily focuses on the R&D, production, and sales of industrial power equipment, including high-power diesel engines, gas engines, and power generator sets.
- Company D, founded in 1925 and headquartered in the United States, is listed on the NYSE. It is mainly engaged in the R&D and manufacturing of construction machinery, diesel and gas power systems, and energy equipment.

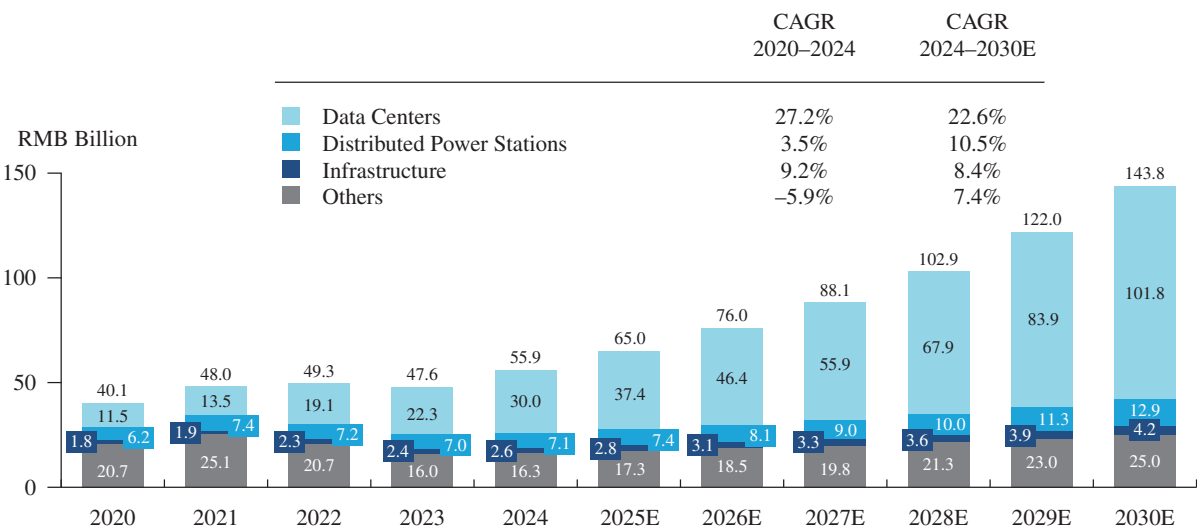
Market Size of Global Power Generator Engines Market by Core Applications

The explosive growth in global computing demand, driven by AI and big data, has made data centers the critical digital infrastructure. Their unprecedented expansion is the direct and primary driver behind the surging need for high-reliability backup power, fueling robust growth in the global power generator engines market. The share of data center applications in the power generator engines industry increased from 28.6% in 2020 to 53.7% in 2024, with corresponding revenue growing from RMB11.5 billion in 2020 to RMB30.0 billion in 2024. Driven by the ongoing growth in the artificial intelligence and big data sectors, the market share attributable to data center applications within the power generator engines industry is expected to increase to approximately 70.8% by 2030, representing revenue of approximately RMB101.8 billion in 2030. Simultaneously,

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as the global power shortage increase, distributed power stations are expanding steadily as a vital supplement to the power grid. The market size of power generator engines for distributed power stations grew from RMB6.2 billion in 2020 to RMB7.1 billion in 2024. By 2030, supported by energy security strategies, the market size is expected to reach RMB12.9 billion. Furthermore, sustained investment in global infrastructure provides a stable market for both installed and incremental demand. The market size of power generator engines for infrastructure grew from RMB1.8 billion in 2020 to RMB2.6 billion in 2024, with a CAGR of 9.2%. And it is projected to reach RMB4.2 billion by 2030.

Market Size of Global Power Generator Engines Industry
by Core Applications, 2020–2030E



Source: CICEIA, Frost & Sullivan

Note: The market size refers to the total revenue generated by the sale of power generator engines in different applications.

Power Generator Engines for Data Centers

By 2030, global AI server shipments are projected to reach approximately 6.5 million units, representing around 3.3 times the volume of 2024, with a CAGR of 21.7% from 2024 to 2030. This rapid expansion of AI and general-purpose servers has significantly increased demands for higher power load capacity and enhanced supply reliability. In scenarios such as grid fluctuations, power rationing or sudden outages, power generator engines serve as critical equipment for ensuring continuous and stable power supply, positioning them as the preferred solution for high-reliability and fast response backup power. Offering superior efficiency, reliability fast response and durability, power generator engines for data centers deliver instantaneous stable output across diverse and complex operating conditions, making them particularly well-suited for emergency backup, remote area electricity supply and various industrial applications. With strong fuel efficiency, relatively low maintenance costs and extended service life, they are indispensable in regions facing energy constraints or inadequate grid stability. As a core component of power

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generator sets, power generator engines play an irreplaceable role in maintaining power continuity, supporting critical infrastructure. In accordance with the “Code for Design of Data Centers (GB 50174)”, Class A data centers are required to be equipped with backup power systems capable of sustaining full-load operation during mains failures, with power generator sets typically accounting for approximately 23% of total construction costs. As rack power density rises, demand for higher-rated units is growing, with 2MW products currently mainstream and leading players accelerating the deployment of 3-4MW high-power solutions to meet the requirements of next-generation high-performance computing facilities.

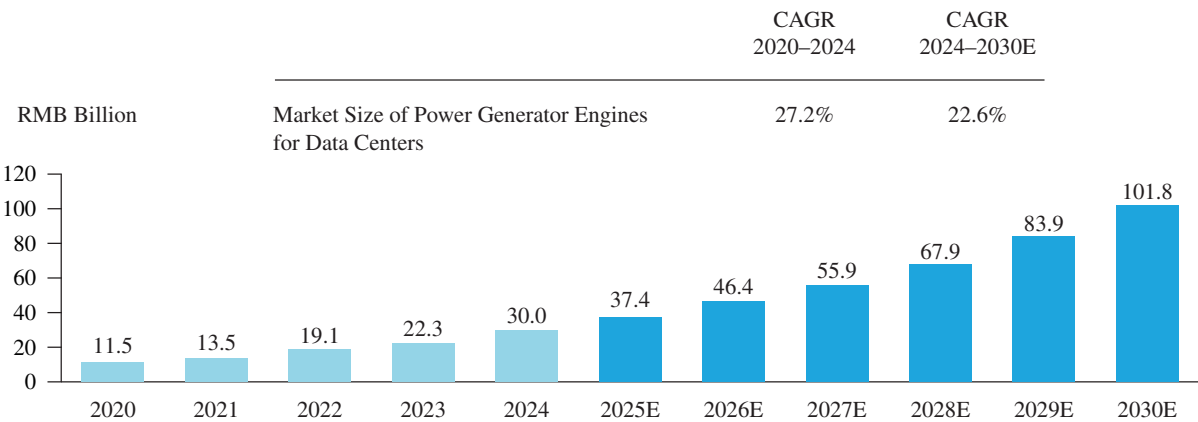
The data center industry has undergone a profound transformation, evolving from providing basic physical hosting to serving as the core supplier of computing power. In recent years, the rapid development and intense competition in artificial intelligence technologies result in explosive growth in global computing power demand. Against this backdrop, AIDCs, which specialize in high-intensity AI training and inference computing, have become the core carrier of computing infrastructure. AIDCs impose extreme requirements on infrastructure such as high power density, highly reliable power supply and cooling systems, which in turn significantly amplifies demand for power generator engines as a critical backup energy source.

Data center racks are core infrastructure components of data center. With the continuous growth in global computing demand, particularly AIDCs’ reliance on high-power-density equipment, the cumulative number of data center racks worldwide increased from 12.5 million units in 2020 to 33.9 million units in 2024, representing a CAGR of 28.3%, and is expected to reach 181.3 million units by 2030, with a CAGR of 32.3% from 2024 to 2030.

The market size for global power generator engines used in data centers expanded from RMB11.5 billion in 2020 to RMB30.0 billion in 2024, representing a CAGR of 27.2% over the period. With the accelerated construction of hyperscale data centers, rising density of AIDC computing clusters, and the maturity of high-efficiency, low-emission power generator engine technologies under the “Dual Carbon” policy framework, the market is projected to reach approximately RMB101.8 billion by 2030, representing a CAGR of 22.6% from 2024 to 2030 and signaling robust growth in the new investment cycle of computing infrastructure investment.

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Market Size of Global Power Generator Engines for Data Centers, 2020–2030E



Source: China Academy of Information and Communications Technology (CAICT), CICEIA, Frost & Sullivan

Note: The market size refers to the total revenue generated by the sale of power generator engines for data centers.

Power Generator Engines for Distributed Power Stations

As a key component of distributed power stations, power generator engines play a critical role in ensuring the reliability and flexibility of electricity supply. In off-grid microgrids and regional standalone power systems, power generator engines serve as foundational power sources that support stable grid operation. They function not only as primary power sources delivering continuous baseload electricity, but also as effective complements to renewable energy sources such as solar and wind, mitigating their intermittency and variability through fast-response load regulation. As a result, power generator engines enhance overall supply reliability and power quality, making them an indispensable piece of equipment in today’s distributed energy systems.

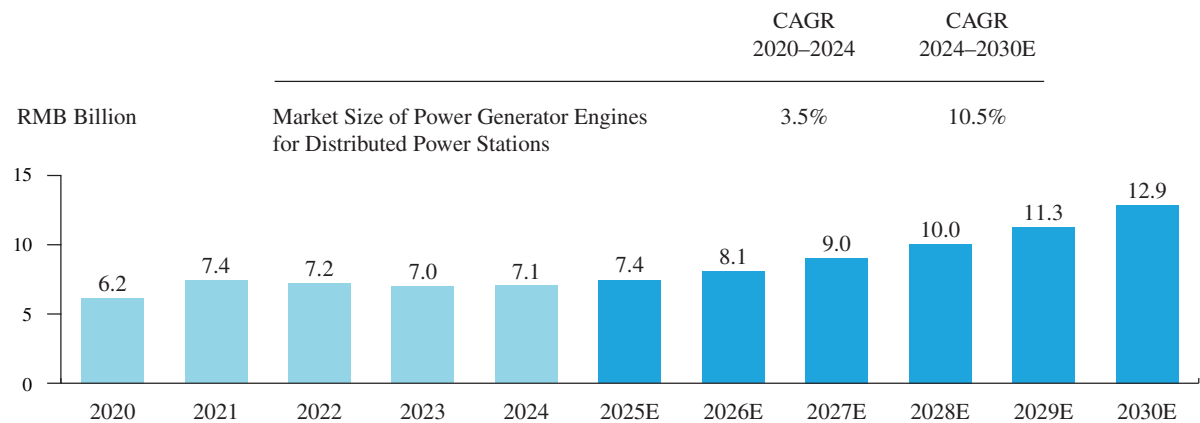
Compared with their role as backup power in data centers, the application of power generator engines in distributed power stations differs. In distributed power stations, where they act as primary or major supporting power and operate continuously over long periods, system design and operational management place greater emphasis on lifecycle cost efficiency, fuel efficiency, and coordinated control with renewable energy. By contrast, in data centers and similar applications, power generator engines are used solely as emergency backup power, operating for short durations under extreme conditions. In such scenarios, the core requirements center on exceptional reliability, second-level rapid start-up capability, and seamless switching with uninterruptible power supply systems.

Between 2020 and 2024, the global market for power generator engines in distributed power stations experienced a cycle of initial growth followed by a phased structural adjustment. The market size rose from RMB6.2 billion in 2020 to RMB7.4 billion in 2021, but subsequently entered a period of contraction as intensified geopolitical conflicts and volatile energy prices weighed on global economic momentum. This downward trend reached a definitive turning point by late 2023, as the rapid expansion of generative AI and data center infrastructure created a surge in demand for reliable power assurance. Consequently, 2024 saw a significant market recovery, with the scale rebounding to RMB7.1 billion.

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According to data from the International Energy Agency (IEA), approximately 730 million people worldwide currently lack access to electricity, which, coupled with the exponential growth of the data center, constitutes a dual driver for the distributed power station. Global data center electricity consumption reached approximately 415 TWh in 2024. In particular, with the continuous evolution of AI model training and inference requirements, data centers optimized for such purposes are projected to see their power demand grow more than four times faster than the overall average. Specifically, the power load of a single typical AI-focused hyperscale data center is now comparable to that of approximately 100,000 households, driving total global data center electricity demand to a projected 945 TWh by 2030. Given the stringent requirements for high resilience and reliability in data center power supplies, superimposed on the significant underserved global population, has created strong and sustained structural demand for distributed power stations. The global market size of power generator engines for distributed power stations is consequently projected to grow from RMB7.1 billion in 2024 to approximately RMB12.9 billion by 2030, representing substantial growth prospects.

Market Size of Global Power Generator Engines for Distributed Power Stations, 2020–2030E



Source: CICEIA, Frost & Sullivan

Note: The market size refers to the total revenue generated by the sale of power generator engines for distributed power stations.

Power Generator Engines for Infrastructure

Infrastructure is a core pillar of global economic development, directly driving the industrialization and urbanization processes of various countries. Globally, emerging markets are accelerating infrastructure investments to achieve industrial transformation, while developed economies are focusing on modernizing old facilities, improvement-oriented infrastructure and green energy projects in response to climate change.

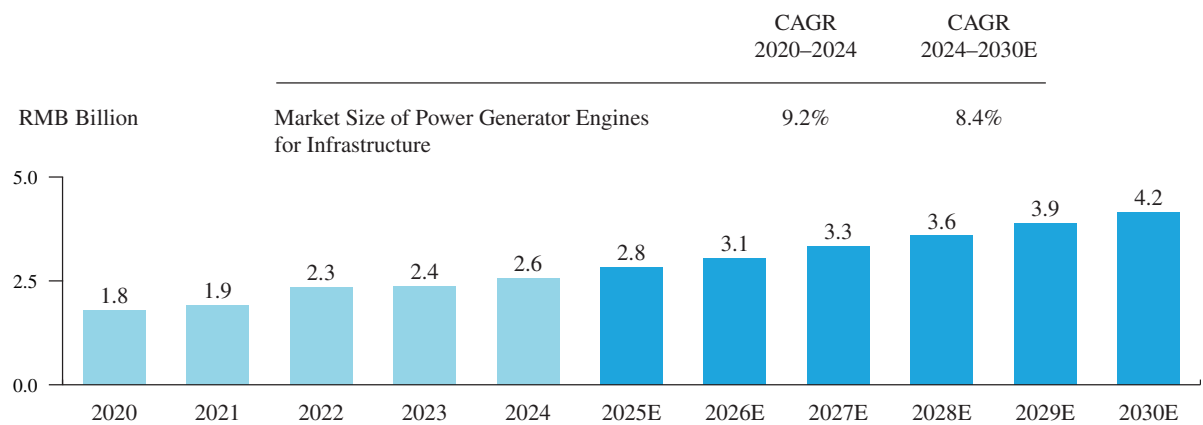
Power generator engines serve as the core backup and emergency power for the infrastructure sector, widely used in core scenarios such as public services improvements and urban digital transformation. Their performance reliability directly impacts the continuous operation and cost

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control of infrastructure projects. As global infrastructure investment scales expand and environmental regulations tighten, the power generator engines industry is accelerating its transition toward high efficiency, energy saving, low carbon emissions, and intelligent control.

With the continued growth in global infrastructure demand, the market size for global infrastructure power generator engines increased from RMB1.8 billion in 2020 to RMB2.6 billion in 2024, with a CAGR of 9.2%. In the future, with the further expansion of infrastructure investment demand and the continuous promotion of the “Belt and Road Initiative”, the market size is expected to further expand to RMB4.2 billion by 2030.

Market Size of Global Power Generator Engines for Infrastructure, 2020–2030E



Source: CICEIA, Frost & Sullivan

Note: The market size refers to the total revenue generated by the sale of power generator engines for infrastructure.

OVERVIEW OF MEDIUM- AND HIGH-SPEED MARINE ENGINES INDUSTRY

Introduction of Medium- and High-speed Marine Engines

Medium- and high-speed marine engines refer to integrated technical systems with a rated speed exceeding 300 r/min, specifically engineered for vessels operating in inland and coastal environments. Within this category, medium-speed engines with speeds ranging from 300 r/min to 1,000 r/min typically drive propellers through reduction gearboxes or serve as generator sets. Given their balanced technical performance and versatility, these engines are widely utilized as main engines for inland, coastal and engineering vessels. High-speed engines with speeds exceeding 1,000 r/min are distinguished by their compact size and lightweight design, and are primarily deployed for the propulsion or power supply of naval vessels, high-speed crafts, governmental vessels, and medium-sized engineering vessels. Medium-speed engines have become the preferred power solution for medium-to-large vessels, such as ocean-going transport ships and offshore engineering vessels. This preference is driven by their superior reliability, extended service life, enhanced fuel efficiency, robust low-speed torque output, and reduced vibration and noise levels, as well as their versatile application adaptability in serving as both main propulsion systems and auxiliary power generators.

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These engines fulfill two core functions, namely propulsion and power supply. On one hand, the engine provides propulsion power to drive, steer, and berth the vessel. On the other hand, the marine engines generate electricity for all onboard equipment, covering lighting, communication, navigation, control systems, and life-support facilities. A typical engine is comprised of main propulsion units, transmission and shafting, generator sets, power distribution networks, and energy management systems, enabling the efficient and reliable conversion of fuel chemical energy or electrical energy into mechanical and electrical power. The medium- and high-speed marine engines industry encompasses the aggregate of technologies, equipment, and services required to provide propulsion and power for medium- and high-speed vessels. Its core includes marine diesel engines, gas turbines, and their ancillary transmission, propulsion, control, and energy management systems, which are widely utilized in commercial transport vessels, passenger ferries, fishing boats, and specialized engineering vessels.

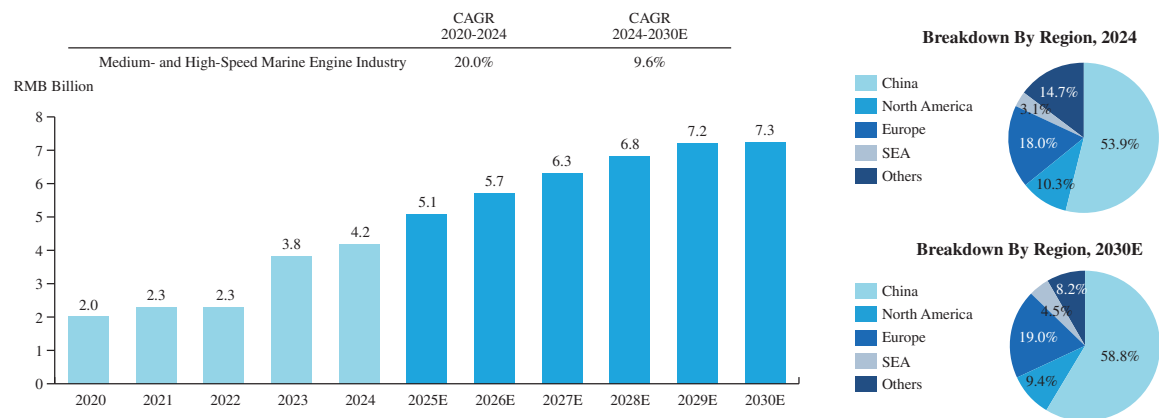
Market Size of Medium- and High-Speed Marine Engines Industry

The expansion of the global maritime industry has directly driven the expansion of the medium- and high-speed marine engines industry. On one hand, the expansion of the shipping market and the demand for new vessels have created new market opportunities. On the other hand, the industry’s transition toward green and intelligent shipping is driving technological advancements in low-carbon solutions and smart systems.

The market size of medium- and high-speed marine engines increased substantially from RMB2.0 billion in 2020 to RMB3.8 billion in 2023. This robust growth was primarily driven by the strong global macroeconomic recovery, the explosive rebound in tourism and coastal transportation demand, as well as the rapid development of coastal industries such as offshore wind power. These factors spurred a significant increase in orders for ferries, tourist vessels, workboats and offshore support vessels, thereby further expanding the market size to approximately RMB4.2 billion in 2024. Looking ahead, driven by the dual forces of steady global trade growth and additional low-carbon transition policies, the industry is poised for a new cycle of technological upgrades and product enhancements. The green shipping trend is pushing engine development toward higher efficiency and cleaner emissions, further stimulating demand for both new installations and retrofits. By 2030, the global market size is projected to reach RMB7.3 billion, with a forecasted CAGR of 9.6% from 2024 to 2030. Europe, as the world’s second-largest market, maintains a stable growth trajectory, benefiting from stringent regional emission regulations and a mature maritime ancillary industrial eco-systems.

INDUSTRY OVERVIEW

Market Size of Medium- and High-Speed Marine Engines Industry, 2020–2030E

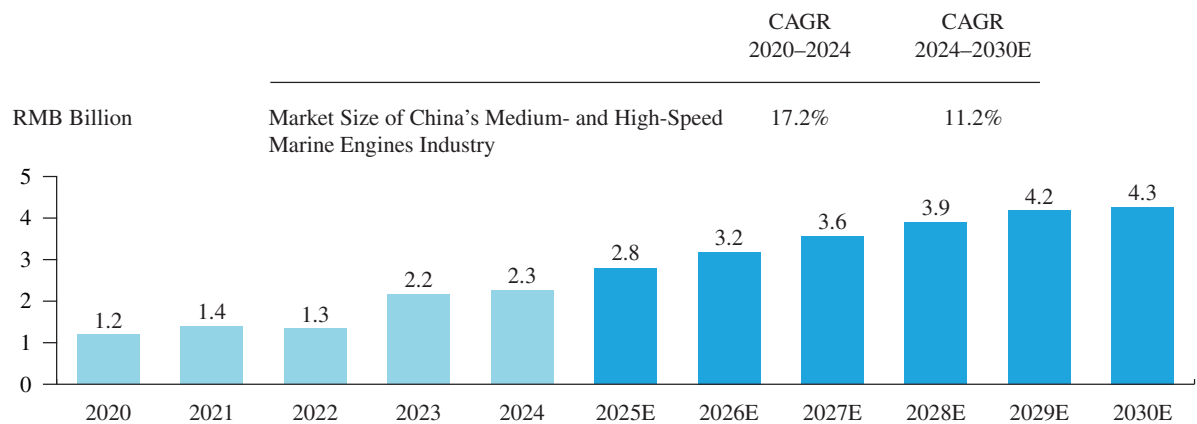


Source: Clarksons, CICEIA, Frost & Sullivan

Note: The market size refers to the total revenue generated by the sale of medium- and high-speed marine engines.

Within the global growth landscape, China continues to act as a core growth engine. The Chinese market grew from approximately RMB1.2 billion in 2020 to RMB2.3 billion in 2024, achieving a CAGR of 17.2%. It is anticipated that the market size in China will further expand to RMB4.3 billion by 2030, representing an accelerated CAGR of 11.2% from 2024 to 2030. China’s strong performance is anchored by its dominant position in the global shipbuilding industry and its proactive investment in the transition toward green propulsion technologies.

Market Size of China’s Medium- and High-Speed Marine Engines Industry, 2020–2030E



Source: Clarksons, CICEIA, Frost & Sullivan

Note: The market size refers to the total revenue generated by the sale of medium- and high-speed marine engines in China.

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Market Drivers and Developing Trends of Medium- and High-Speed Marine Engines Industry

Technological Innovation Leading to Product Upgrades

The marine engine industry is undergoing sustained technological upgrading. Conventional fuel-based propulsion technologies continue to improve efficiency and reduce emissions via combustion optimization and reduced mechanical losses. Simultaneously, low- and zero-carbon technologies are accelerating, with dual-fuel engines, ammonia and hydrogen systems, and intelligent control becoming key R&D priorities. Medium-speed engines are emerging as a vital direction due to their strong fuel adaptability. In parallel, high-speed engines are evolving toward higher strength, lightweight designs, and intelligent operation to meet the rigorous reliability demands of large vessels and power generation.

Dual Drivers of Policies and Environmental Regulations

Driven by tightening global low-carbon regulations, the marine engines industry is accelerating its green transition. Participants are intensifying the deployment of low-carbon technologies, with alternative clean fuels such as hydrogen, ammonia, and methanol emerging as key strategic directions. Simultaneously, stricter standards are accelerating global fleet renewal. In August 2024, the “Implementation Rules for Subsidies for the Scrapping and Renewal of Old and Used Transport Vessels” (《交通運輸老舊營運船舶報廢更新補貼實施細則》) were released, which provided financial incentives for the retirement of obsolete vessels and encouraged the adoption of new-energy or clean-energy-powered vessels to meet environmental requirements. Additionally, the “Action Plan for Green Development of the Shipbuilding Industry (2024–2030)” (《船舶製造業綠色發展行動綱要(2024–2030年)》) sets clear targets, including achieving a market share exceeding 50% in the international market for LNG- and methanol-powered vessels by 2025, and establishing a comprehensive green development framework by 2030.

Entry Barrier of Medium- and High-Speed Marine Engines Industry

The medium- and high-speed marine engines industry has technical barrier that demands mastery of core technologies such as large-bore designs, high-speed operation, and high-efficiency combustion control, capabilities that incumbents have validated over the years. This is compounded by talent barrier, as the industry requires multidisciplinary expertise spanning marine propulsion, mechanical design, electronic control systems, and intelligent manufacturing, which newcomers struggle to assemble quickly compared to leaders with global R&D networks. Furthermore, cost advantage barrier exists where established players leverage integrated industrial eco-systems and modular manufacturing processes to achieve economies of scale, whereas entrants face high fixed investments and R&D expenditures without initial volume. Finally, certification barrier mandates complex approvals from classification societies like DNV, RS, VR, and CCS; this rigorous process favors established firms with robust quality systems over entrants lacking the necessary documentation and experience to gain market access.

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Challenges of Medium- and High-speed Marine Engines Industry

The industry faces multifaceted challenges, beginning with environmental regulatory challenges where tightening standards compel enterprises to address compliance costs and transition roadmaps toward LNG, green methanol, and green ammonia to meet the International Maritime Organization (IMO) 2050 Net-Zero Emission target and EU’s FuelEU Maritime. This shift introduces significant cost challenges, as green vessels demand higher initial investments: construction costs for LNG-powered vessels are approximately 40% higher than diesel equivalents, while methanol dual-fuel Very Large Crude Carriers (VLCCs) have increased by about 20%. Furthermore, infrastructure challenges remain a critical bottleneck; as of 2025, only 35 methanol bunkering ports are planned globally compared to 276 established LNG bunkering ports, with facilities for hydrogen and ammonia being even more scarce. This insufficient infrastructure creates a deadlock, deterring shipowners from investing in new vessels while investors hesitate to build facilities without guaranteed demand.

Competitive Landscape of China’s Medium- and High-speed Marine Engines Industry

The top three providers of medium- and high-speed marine engines in China collectively accounted for approximately 55.5% of the total market share. Among them, the Company ranked second in the industry with sales revenue of RMB365.0 million, representing approximately 16.2% of the China’s marine engines industry.

Top 3 Medium- and High-speed Marine Engines Providers in China, 2024

Ranking	Company	Sales Revenue (RMB Million)	Market Share (%)
1	Company B	~540	24.0%
2	the Company	365	16.2%
3	Company E	~345	15.3%
Top 3		~1,250	55.5%
Total		2,252	

Source: Frost & Sullivan

Notes:

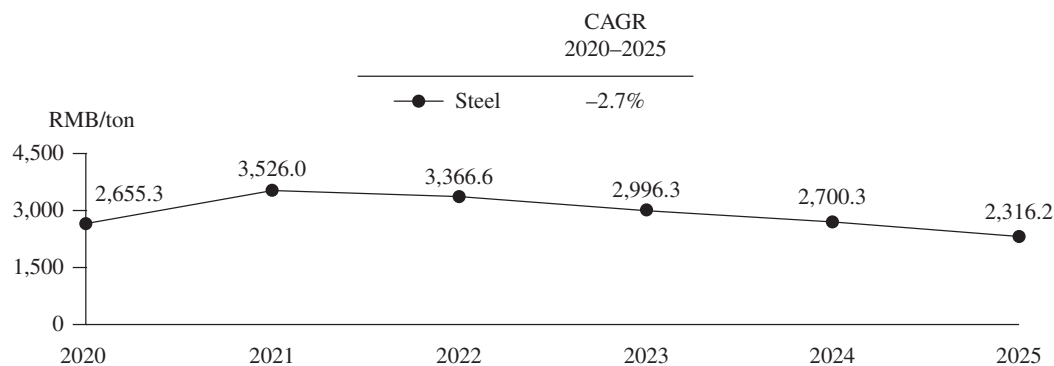
1. Sales revenue refers to the total revenue generated by the sale of medium- and high-speed marine engines.
2. “China” refers to Chinese mainland only.
3. Company B was established in 1946 and headquartered in China, is listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange. It is primarily engaged in the R&D, manufacturing, and sales of products across various sectors, including power systems, commercial vehicles, agricultural equipment, construction machinery, and smart logistics.
4. Company E was established in 1970 and headquartered in China. The company is primarily engaged in the research, development, manufacturing, and servicing of power systems, including high-power medium-speed marine diesel engines, gas engines, dual-fuel engines, and generator sets.

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RAW MATERIAL PRICE ANALYSIS

Steel is a critical raw material in the manufacturing of power generator engines, widely used in the production and processing of core structural components such as crankshafts, connecting rods, and engine blocks. From 2020 to 2025, steel prices experienced significant fluctuations, with average prices fluctuating between RMB2,316.2 per ton and RMB3,526.0 per ton. In 2021, the continued quantitative easing policies of major economies, which triggered substantial inflationary pressures and were compounded by heightened trade uncertainties, collectively drove a rapid surge in commodity prices. In particular, prices of imported iron ore and coking coal and coke, the primary raw materials, rose sharply, pushing global steel prices up to RMB3,526.0 per ton in 2021, before declining year by year to RMB2,316.2 per ton in 2025.

Prices Analysis of Steel, 2020–2025



SOURCE: Wind, Baiinfo, ifind, Frost & Sullivan

REGULATORY OVERVIEW

REGULATIONS ON COMPANIES

Company Law

The Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “**Company Law**”) was promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on December 29, 1993 and implemented since July 1, 1994, and last amended on December 29, 2023 and came into effect on July 1, 2024. Under the Company Law, companies are generally classified into two categories, namely, limited liability companies and joint stock limited companies. The major amendments to the latest Company Law, which came into effect on July 1, 2024, include improving the company establishment and exit regime, optimizing the organizational structures of companies, improving the capital system of companies, strengthening the responsibilities of controlling shareholder and management, and reinforcing the corporate social responsibilities, among others.

REGULATIONS ON FOREIGN INVESTMENT

Foreign Investment Law

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which was adopted by the National People’s Congress of the PRC (the “**NPC**”) on March 15, 2019, and came into effect on January 1, 2020, “foreign investment” means the investing activities within China directly or indirectly conducted by foreign natural persons, enterprises, and other organizations (hereinafter referred to as “foreign investors”), including the following circumstances: (i) a foreign investor forms a foreign-funded enterprise within China alone or jointly with any other investor, (ii) a foreign investor acquires any shares, equities, portion of property, or other similar interest in an enterprise within China, (iii) a foreign investor invests in any new construction project within China alone or jointly with any other investor, and (iv) investment in any other manner as specified by a law or administrative regulation or the State Council. The Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020, further requires that foreign-invested enterprises (the “**FIEs**”) and domestic enterprises be treated equally with respect to policy making and implementation.

On December 30, 2019, the MOFCOM and the SAMR jointly issued the Measures for Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the “**Foreign Investment Information Measures**”), which came into effect on January 1, 2020 and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Starting from January 1, 2020, foreign investors or FIEs in the PRC shall submit information relating to their investment through the Enterprise Registration System and the National Enterprise Credit Information Publicity System established by the SAMR by submitting initial reports of establishment, reports on changes to the investment, reports on termination of the investment and annual investment reports in accordance with the Foreign Investment Information Measures.

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REGULATIONS ON PRODUCT QUALITY

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”) promulgated by the SCNPC on February 22, 1993, last amended on December 29, 2018 and came into effect on the same date, all production and marketing activities within the territory of the PRC shall comply with the Product Quality Law. Producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers shall be responsible for the quality of products they produce. Quality of products shall meet the following requirements: (i) products shall be free from any irrational dangers threatening the safety of people and property. If there are national standards or trade standards for ensuring the health of the human body and safety of lives and property, the products shall conform to such standards; (ii) products shall have the property they are due to have, except cases in which there are explanations about the defects of the property of the products; and (iii) products shall tally with the standards prescribed or specified on the packages and with the quality specified in the instructions for use or shown in the providing samples.

According to the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”) which was promulgated by the NPC on May 28, 2020 and came into effect on January 1, 2021, in the event of damages caused to others due to the defects in a product, the infringed party may seek compensation from the producer or the seller of such product and shall have the right to request the producer and the seller to assume tortious liability, such as cessation of infringement, removal of obstruction, and elimination of danger.

REGULATIONS ON PRODUCT SAFETY

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the “**Production Safety Law**”) promulgated by the SCNPC on June 29, 2002, which was last amended by the SCNPC on June 10, 2021 and came into effect on September 1, 2021, a production and operation entity must comply with the Production Safety Law and other laws and regulations related to work safety, strengthen work safety management, establish and improve a work safety responsibility system and work safety rules and systems for all employees, increase efforts to guarantee the input of funds, materials, technology, and personnel in work safety, improve work safety conditions, strengthen standardization and informatization of work safety, construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, raise work safety levels, and ensure work safety. Business entities shall meet the work safety conditions prescribed by the Production Safety Law and other relevant laws, administrative regulations, and national or industry standards. Business entities not meeting such conditions shall not be engaged in production and other business activities.

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REGULATIONS ON ENVIRONMENTAL PROTECTION AND FIRE SAFETY

Environmental Protection Law

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989, last amended on April 24, 2014 and implemented on January 1, 2015, the environmental protection administrative department of State Council is authorized to issue national standards for environmental quality and discharge of pollutants, and to exercise unified supervision and administration over environmental protection scheme of the PRC. Enterprises, public institutions, and other businesses shall prevent and reduce environmental pollution and ecological disruption, and assume liabilities for damage caused by them.

Water Pollution

According to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) promulgated by the SCNPC on May 11, 1984, last amended on June 27, 2017 and came into effect on January 1, 2018, discharge of water pollutants shall be within the state or local standards for the discharge of water pollutants and indicators for the total discharge control of major water pollutants. The facilities for the prevention and control of water pollution in a construction project shall be designed, constructed and put into use with the principal part of the project at the same time. The facilities for the prevention and control of water pollution shall comply with the requirements of the environmental impact assessment documents granted approval or recordation.

Atmospheric Pollution

According to the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) (the “**Atmospheric Pollution Prevention and Control Law**”), which was promulgated by the SCNPC on September 5, 1987, and last amended on October 26, 2018 with immediate effect on the same date, enterprises and public institutions discharging the toxic and hazardous atmospheric pollutants listed in the directory as mentioned in the first paragraph of Article 78 shall establish an environmental risk early warning system conduct regular monitoring over discharge outlets and neighboring environment, assess the environmental risks, eliminate hidden environmental safety problems, and take effective measures to prevent environmental risk according to Article 78 of the Atmospheric Pollution Prevention and Control Law. In addition, enterprises, institutions and other production and operation units constructing projects that have an impact on the atmospheric environment shall carry out environmental impact assessment and make environmental impact assessment documents public in accordance with the law. The units that emit pollutants into the atmosphere must comply with the discharging standard for atmospheric pollutants as well as the requirements on control of the total discharging amount of key atmospheric pollutants.

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Solid Wastes

According to the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated by the SCNPC on October 30, 1995, and last amended on April 29, 2020 and came into effect on September 1, 2020, any entity or individual shall adopt measures to reduce solid waste generation, promote the comprehensive utilization of solid wastes, and diminish the harmfulness of solid wastes, and shall be responsible for the environmental pollution caused in accordance with the law. An entity that generates industrial solid waste shall obtain a pollutant discharge permit.

Noise Pollution

According to the Law of the PRC on Noise Pollution Prevention and Control (《中華人民共和國噪聲污染防治法》) promulgated by the SCNPC on December 24, 2021 and came into effect on June 5, 2022, an enterprise, public institution, or any other producer or business operator which emits industrial noise shall take effective measures to reduce vibration and noise, and obtain a noise emission permit or complete a noise emission registration form in accordance with the law.

Pollutant Discharge Permits

According to the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and came into effect on March 1, 2021, an enterprise, a public institution, or any other producer or operator which is subject to the administration of permitting of pollutant discharges under the law shall apply for a pollutant discharge permit under the provisions of this regulation; and may not discharge pollutants, if a pollutant discharge permit fails to be obtained.

Environmental Impact Assessment

According to the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and implemented since September 1, 2003, and last amended on December 29, 2018 with immediate effect on the same date, and the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and came into effect on the same date, and last amended on July 16, 2017 and came into effect on October 1, 2017, the PRC implements an environmental impact assessment system for construction projects. An environmental impact report is required to thoroughly assess the potential environmental impact if the construction project may result in a material impact on the environment; an environmental impact statement is required to analyze or conduct a project-based evaluation if the construction project may result in slight impact on the environment; and a registration form of environmental impact is required to be filed if the construction project may only result in minimal impact on the environment and no environmental impact assessment is required. No construction project can be commenced without undergoing assessment on environmental impact in accordance with the laws. After the completion of the construction project for which an environment impact report or an environment impact statement was prepared, the construction unit shall, in accordance with the standards and procedures formulated by competent

REGULATORY OVERVIEW

administrative department for environment protection under the State Council, conduct inspection and acceptance of the ancillary environment protection facilities, and prepare an inspection and acceptance report. Nonancillary environment protection facilities of such projects may be put into production or use until such facilities pass the inspection and acceptance and ancillary facilities that failed to undergo or pass the inspection and acceptance procedure may not be put into production or use. If an enterprise violates the aforesaid laws and regulations, the environmental protection administrative departments at the county level or above may order it to suspend production or construction, impose a fine and order it to conduct restoration.

Fire Safety

According to the Fire Protection Law of the People’s Republic of China (《中華人民共和國消防法》), which was last amended by the SCNPC on April 29, 2021 and took effect on the same day, the emergency management department of the State Council and the emergency management department under the local people’s governments at or above the county level shall supervise and administrate fire protection work. Fire protection design and construction in respect of construction projects must comply with national technical standards for fire protection in construction projects.

According to the Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) last amended by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on August 21, 2023 and became effective from October 30, 2023, fire protection design review and acceptance shall be carried out for special construction projects. With respect to the construction projects other than special construction projects, the fire protection acceptance of construction projects shall be filed with the competent authorities.

REGULATIONS ON IMPORT AND EXPORT GOODS

Foreign Trade Law

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994, and last amended on December 27, 2025, which will come into effect on March 1, 2026, PRC allows the free import and export of goods and technology, unless it is otherwise provided for by any law or administrative regulation. The foreign trade department of the State Council may, where the monitoring of import and export so requires, employ the system of automatic license of import and export to some of the freely imported and exported goods, and publish the catalog thereof.

Import and Export Management

According to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987, and last amended on April 29, 2021 and came into effect on the same date, the Provisions on the Recordation of Customs Declaration Entities of the (《中華人民共和國海關報關單位備案管理規定》) issued by the General Administration of Customs of the PRC (中華人民共和國海關總署) (the “GACC”) on November 19, 2021 and came into effect on January 1, 2022, and the Provisions of the Customs of the PRC on Declaration of Imported and Exported

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Goods (《中華人民共和國海關進出口貨物申報管理規定》) issued by GACC on March 27, 2025 and came into effect on May 1, 2025, the consignee or consignor of imported or exported goods may declare to the customs by itself or authorize the customs declaration enterprise to declare to the customs on behalf thereof. The consignee or consignor of imported or exported goods or the authorized customs declaration enterprise that plans to undergo declaration formalities at the customs shall legally undergo recordation formalities at the customs in advance.

Import and Export Commodity Inspection

According to the Regulations on the Administration of Import and Export of Goods of the PRC (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on December 10, 2001, and last amended on March 10, 2024 and came into effect on May 1, 2024, the Import and Export Commodity Inspection Law of the PRC (《中華人民共和國進出口商品檢驗法》) promulgated by the SCNPC on February 21, 1989 and implemented since August 1, 1989, and last amended on April 29, 2021 and came into effect on the same date, and the Regulations for the Implementation of the Law of the PRC on the Inspection of Imported and Exported Commodities (《中華人民共和國進出口商品檢驗法實施條例》) promulgated by the State Council on August 31, 2005, and last amended on March 29, 2022 and came into effect on May 1, 2022, the GACC shall be responsible for inspection of commodities in the PRC. The entry-exit inspection and quarantine authorities shall conduct inspection on the import and export of commodities listed in the catalog and on the import and export of other commodities that shall be subject to the inspection by the entry-exit inspection authorities as prescribed bylaws and administrative regulations. For the imported and exported commodities other than those that are subject to inspection by the entry-exit inspection and quarantine authorities as mentioned above, the entry-exit inspection and quarantine authorities shall conduct random inspection in accordance with state regulations. Imported commodities subject to inspection may not be sold or used if they have not been inspected. Exported commodities subject to inspection may not be exported if they have not been inspected or fail to pass the inspection.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and currently effective from June 1, 2021 and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001, which was recently amended on December 11, 2023 and came into effect on January 20, 2024, the China National Intellectual Property Administration (國家知識產權局) (the “CNIPA”) is responsible for administering patent law in the PRC. The patent administration departments of provincial, autonomous regions or municipal governments are responsible for administering patent law within their respective jurisdictions. The Chinese patent system adopts a first-to-file principle, which means that when more than one person files different patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet three

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criteria, namely: novelty, inventiveness, and practicability. The protection period is 20 years for an invention patent and 10 years for a utility model patent and 15 years for a design patent, commencing from their respective application dates.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”) promulgated on August 23, 1982 and last amended in 2019, and the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council in 2002 and last amended on April 29, 2014, the CNIPA handles trademark registrations. The CNIPA grants a ten-year term to registered trademarks and the term may be renewed for another ten-year period upon request by the trademark owner. A trademark registrant may license its registered trademarks to another party by entering into trademark license agreements, which must be filed with the CNIPA for its record. As with patents, the Trademark Law has adopted a first-to-file principle with respect to trademark registration. If a trademark applied for is identical or similar to another trademark which has already been registered or subject to a preliminary examination and approval for use on the same or similar kinds of products or services, such trademark application may be rejected. No application for trademark registration may infringe upon the existing prior rights of others, and bad-faith registration by illicit means of a trademark with a certain reputation already used by another party shall be prohibited.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》), which was last amended by the SCNPC on November 11, 2020 and came into effect on June 1, 2021, and the Regulations for the Implementation of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) last amended by the State Council on January 30, 2013, works of Chinese citizens, legal persons or unincorporated organizations, i.e. intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, whether published or not, are entitled to copyright in accordance with the law. Copyright includes a series of personal and property rights such as the right of publication, the right of authorship, the right of modification, the right to protect the integrity of the work and the right of reproduction. The term of protection of the right of publication in respect of a work of a legal person or unincorporated organization or a work created in the course of employment where the legal person or unincorporated organization enjoys the copyright (except the right of authorship) shall be 50 years, expiring on 31 December of the 15th year after the completion of its creation.

According to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration (國家版權局) on February 20, 2002, and the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) amended by the State Council on January 30, 2013 and came into effect on March 1, 2013, the National Copyright Administration shall be in charge of the administration of the registration of software copyright of the whole country, and the Copyright Protection Center of China (中國版權保護中心) is designated as the software registration authority which shall grant registration certificates to the computer software copyrights applicants. According to the Measures for the

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Registration of Computer Software Copyright and the Regulations on the Protection of Computer Software, software copyright shall arise on the date of completion of the software development. The term of protection of software copyright of legal persons or other organizations shall be 50 years, expiring on 31 December of the 15th year after the first publication of the software.

Domain Names

According to the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) (the “**Domain Name Measures**”) promulgated by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the “**MIIT**”) on August 24, 2017 and came into effect on November 1, 2017, the MIIT oversees the administration of PRC internet domain names. The domain name registration follows a first-to-file principle. Applicants for registration of domain names must provide the true, accurate, and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

REGULATIONS ON REAL ESTATE MANAGEMENT

State-Owned Land

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), which was last amended by the SCNPC on August 26, 2019 and the Regulations on the Implementation of the PRC Land Administration Law (《中華人民共和國土地管理法實施條例》) promulgated by the State Council on December 27, 1998, last amended on July 2, 2021 and came into effect on September 1, 2021, the land in the PRC is owned by the state or collectives. Except for land explicitly designated by law to be owned by the state or land that has been lawfully requisitioned for state ownership, all other land is owned by the collectives. In order to use state-owned land, the user should acquire the land in the form of paid use, including transfer of state-owned land use right.

According to the Provisional Regulations of the PRC on Grant and Transfer of the Land Use Rights of State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) recently amended by the State Council on November, 29, 2020, the transfer of land use rights refers to the act where the state, as the landowner, grants land use rights to the land user for a certain period, and the land user pays the transfer fee for the land use rights to the state. A transfer contract shall be signed for the transfer of land use rights. Land users shall develop, utilize, and operate the land in accordance with the provisions of the contract on the transfer of the land use rights and the urban planning requirements. If the land is not developed or utilized according to the period and conditions specified in the contract, the land management department of the people’s government in the city or county shall make corrections and may, depending on the circumstances, issue warnings, impose fines or even revoke the land use rights without compensation. If the land user needs to change the use of the land stipulated in the contract on the transfer of the land use rights, he/she shall obtain the consent of the transferor and seek approval from the land management department and urban planning department, sign a new contract on the transfer of the land use rights, adjust the transfer fee for the land use rights, and complete the registration.

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Urban and Rural Planning

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) which was last amended by the SCNPC on April 23, 2019, in construction of buildings, structures, roads, pipelines, or other engineering projects within a city or town planning area, the construction entity or individual shall apply for a construction project planning permit from the competent department for urban and rural planning under the people’s government of a city or county or the people’s government of a town as determined by the people’s government of a province, an autonomous region, or a municipality directly under the central government.

Project Construction

According to the Construction Law of the People’s Republic of China (《中華人民共和國建築法》) which was last amended by the SCNPC on April 23, 2019, before commencement of a construction project, the construction entity shall apply for a construction permit from the construction administrative department under the people’s government at or above the county level at the location of the project in accordance with relevant national regulations, except for small projects below the threshold set by the construction administrative department under the State Council. A construction project can only be put into use after passing the completion and acceptance inspection; projects that have not been inspected or have failed acceptance shall not be delivered for use.

Leased Property

According to the Civil Code, the owner of movable or immovable property is entitled to possess, use, benefit from, and dispose of such movable or immovable property in accordance with law. With the lessor’s consent, the lessee may sublease the leased property to a third party. If the lessee subleases the property, the lease contract between the lessee and the lessor shall remain effective. If the lessee subleases the property without the lessor’s consent, the lessor has the right to terminate the lease.

According to the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and came into effect on February 1, 2011, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 maybe imposed on each lease agreement.

According to the Interpretation of the Supreme People’s Court on Several Issues Concerning the Specific Application of Law in the Trial of Urban House Lease Contract Dispute Cases (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》), which came into effect on January 1, 2021, if the ownership of the leased property changes while the lessee is in possession pursuant to the terms of the lease contract and the lessee requests the transferee to

REGULATORY OVERVIEW

continue performing the original lease contract, the PRC courts shall support such a request, unless a mortgage has been established on the leased property before the lease and the ownership change occurs due to the enforcement of the mortgage rights by the mortgagee.

REGULATIONS ON NETWORK SECURITY AND DATA SECURITY

National Security Law

According to the National Security Law of the PRC (《中華人民共和國國家安全法》) promulgated by the SCNPC on July 1, 2015 and came into effect on the same day, the state shall build a network and information security guarantee system, improve network and information security protection capability, strengthen the innovation research, development, and application of network and information technologies, realize the controllable security of the core technologies and crucial infrastructure of network and information and the information systems and data in important fields; strengthen network management, prevent, frustrate, and legally punish network attack, network invasion, network information theft, dissemination of illegal and harmful information, and other network-related infractions of law and crimes, and maintain the state’s sovereignty, security, and development interests in the cyberspace.

Cybersecurity

According to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “**Cybersecurity Law**”) promulgated by the SCNPC on November 7, 2016 and came into effect on June 1, 2017, for the construction and operation of the network or the provision of services through the network, technical measures and other necessary measures shall be taken in accordance with the provisions of laws and administrative regulations and the compulsory requirements of national standards to ensure the safe and stable operation of the network, effectively respond to cybersecurity incidents, prevent illegal criminal activities committed on the network, and maintain the integrity, confidentiality and availability of network data.

According to the Regulations on the Protection of the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) promulgated by the State Council on July 30, 2021 and came into effect on September 1, 2021, “critical information infrastructure” refers to important network facilities and information systems in important industries, such as, among others, public communications and information services, as well as other important network facilities and information systems that, if damaged, disabled, or subject to data leakage, could seriously endanger national security, the national economy, public welfare, or the public interest. These regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cybersecurity Law, and provide that the competent administrative authorities and supervision and management authorities of the aforementioned important industries are responsible for (i) organizing the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (ii) promptly notifying the identified operators and the Ministry of Public Security of the PRC (中華人民共和國公安部) of the identification results. These regulations require that the relevant operators shall submit a report to the competent PRC administrative authority in accordance with relevant provisions upon the occurrence of any major cybersecurity incident or the discovery of any major cybersecurity threat to the critical information

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infrastructure. Additionally, operators of critical information infrastructure are required to prioritize the purchase of safe and trusted network products and services. If the purchase of such network products and services may affect national security, such operators shall undergo and pass the cybersecurity review accordingly.

Data Security

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”), which came into effect on September 1, 2021. The Data Security Law establishes the regulatory framework and outlines the responsibilities of the relevant administrative authorities in regulating data security. It provides that the central government of the PRC shall establish a central data security work liaison system, which shall coordinate the relevant authorities across different industries to formulate catalogs of important data and implement special measures to protect the security of such important data.

On December 28, 2021, the Cyberspace Administration of China, jointly with 12 other administrative authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), which came into effect on February 15, 2022. According to the Measures for Cybersecurity Review, the purchase of network products and services by critical information infrastructure operators and the data processing activities carried out by network platform operators, which affect or may affect national security are subject to cybersecurity review. In addition, network platform operators possessing personal information of over one million users shall be subject to cybersecurity review before [REDACTED] abroad. The competent administrative authorities may also initiate a cybersecurity review against the operators if they believe that the purchase of network products or services, or the data processing activities of such operators affect or may affect national security.

On September 24, 2024, the Regulation on Network Data Security Management (《網絡數據安全管理條例》) was promulgated by the State Council and came into effect on January 1, 2025. The Regulation on Network Data Security Management reiterates the general regulations for data processing activities and rules of personal information protection, important data security protection, network data cross-border transfer management, and online platform service providers obligations.

Personal Information Protection

According to the Civil Code, the personal information of natural persons is protected by law. Any organization or individual that needs to obtain personal information from others shall do so legally, ensure information security, and shall not illegally collect, use, process, transmit, trade, provide or disclose personal information. The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (“**Personal Information Protection Law**”), which was promulgated by the SCNPC on August 20, 2021 and came into effect on November 1, 2021, further emphasizes that no organization or individual may illegally collect, use, process, or transmit the personal information of another person or illegally buy or sell, provide, or disclose the personal information of another person; or engage in personal information processing activities compromising national security or public interests.

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REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Labor Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (the “**Labor Law**”) which was promulgated by the SCNPC on July 5, 1994 and last amended on December 29, 2018, an employer and an employee must sign a written labor contract to establish an employment relationship. The employer shall pay laborers wages no lower than local standards on minimum wages. The employer and individual laborers shall participate in social insurance in accordance with law and pay social insurance costs.

Labor Contract Law

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”), which was promulgated on June 29, 2007 and amended on December 28, 2012, is primarily aimed at regulating rights and obligations of employer and employee relationships, including the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers shall pay employees for overtime work in accordance with national regulations. In addition, employee wages shall be no lower than local standards on minimum wages and must be paid to employees in a timely manner.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and amended with immediate effect on December 29, 2018, the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and amended with immediate effect on March 24, 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and amended with immediate effect on March 24, 2019, a domestic enterprise shall pay a premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at an appropriate percentage based on the amounts stipulated by the laws. Employers who fail to promptly contribute social insurance premiums in full amount maybe ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day; where payment is not made within such stipulated period, the relevant administrative authorities may impose a fine ranging from one to three times the amount of the amount in arrears. If the employer fails to pay the housing provident fund, it may be ordered to pay within a certain period of time, and if it still fails to pay within such stipulated period, compulsory enforcement by the court can be applied.

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REGULATIONS ON TAX

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”) promulgated on March 16, 2007, effective on January 1, 2008 and last amended and implemented on December 29, 2018 and the Implementing Regulations of the EIT Law (《中華人民共和國企業所得稅法實施條例》) promulgated on December 6, 2007, last amended on December 6, 2024, enterprise income taxpayers shall include resident and non-resident enterprises. Resident enterprise refers to an enterprise established within China or is established under the law of a foreign country (region) but whose actual institution of management is within China. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within China but has offices or establishments within China, or which does not have any offices or establishments within China but has incomes sourced from China. The rate of enterprise income tax shall be 25%. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%. High-tech enterprises in need of key support from the state may enjoy a reduced enterprise income tax rate of 15%.

Value-Added Tax (VAT)

According to the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》) promulgated by the State Council on December 25, 2024 and came into effect on January 1, 2026, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the import of goods within the territory of the PRC shall pay VAT at the rate of 13%, except when specified otherwise.

According to the Notice on Adjusting Value-Added Tax Rate (《關於調整增值稅稅率的通知》) jointly issued by the MOF and the STA on April 4, 2018 and came into effect on May 1, 2018, the tax rates of 17% and 11% originally applicable to any taxpayer who makes VAT taxable sales or imports goods were adjusted to 16% and 10% respectively. According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was jointly promulgated by the MOF, the STA and the GACC on March 20, 2019, the tax rate of 16% and 10% originally applicable to general VAT taxpayers who make VAT taxable sales or import goods were adjusted to 13% and 9%, respectively.

REGULATIONS ON FOREIGN EXCHANGE

According to the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and implemented since April 1, 1996, and last amended on August 5, 2008 and came into effect on the same date, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions. Subject to certain procedural requirements, can be carried out in foreign currency without prior approval from the SAFE. On the contrary, approval from or registration with relevant government authorities is required where RMB is to be converted

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into foreign currencies and remitted out of the PRC to pay capital items such as direct investment, repayment of foreign currency loans, repatriation of investments and securities investment outside the PRC.

In addition, pursuant to the Circular on Further Simplifying and Improving the Policies for the Administration of Foreign Exchange in Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE in February 2015 (with certain provisions abolished in December 2019), it is stipulated that banks shall directly examine and handle the foreign exchange registration under overseas direct investment, while the SAFE and its branches shall implement indirect supervision over the foreign exchange registration and examination of overseas direct investment through such banks.

REGULATIONS ON ANTI-UNFAIR COMPETITION

Anti-Unfair Competition Law

The Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the “**Anti-Unfair Competition Law**”) issued by the SCNPC on September 2, 1993 and last amended on June 27, 2025 and came into effect on October 15, 2025 stipulates that unfair competition acts refer to acts of business operators in production and business activities that violate the provisions of the Anti-Unfair Competition Law, disrupt the market competition order, and damage the legitimate rights and interests of other business operators or consumers. According to the Anti-Unfair Competition Law, business operators must abide by the principles of voluntariness, equality, fairness and good faith when conducting market transactions, and uphold laws and business ethics. If a business operator violates the provisions of the Anti-Unfair Competition Law, it shall bear relevant civil liabilities, administrative liabilities and criminal liabilities according to specific circumstances.

Anti-Monopoly Law

According to the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) (the “**Anti-Monopoly Law**”), last amended on June 24, 2022 and implemented on August 1, 2022, the Anti-Monopoly Law applies to the monopolistic practices in domestic economic activities in the PRC as well as the monopolistic practices outside the PRC which have exclusion or restriction effects on domestic market competition. The monopolistic practices under the Anti-Monopoly Law include any monopoly agreement reached by any operators, abuse of market-dominating position by any operators and any concentration of operators which has eliminated or limited or may eliminate or limit the market competition. The anti-monopoly law enforcement agencies designated by the State Council are responsible for enforcement of the Anti-Monopoly Law in accordance with the provisions of the Anti-Monopoly Law. The anti-monopoly law enforcement agencies of the State Council may, according to the needs of their work, authorize the corresponding agencies of the people’s governments of provinces, autonomous regions, and municipalities to be responsible for enforcement of the Anti-Monopoly Law. Operators who violate the provisions of the Anti-Monopoly Law may be subject to fines, confiscation of illegal gains, or cessation of illegal activities by the anti-monopoly law enforcement agencies.

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Anti-Money Laundering Law

The Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) (the “**Anti-Money Laundering Law**”) which came into effect on January 1, 2007, stipulates that anti-money laundering refers to the act of taking relevant measures in accordance with the provisions of the Anti-Money Laundering Law to prevent the money laundering activities of concealing and disguising the sources and natures of the proceeds and their benefits from crimes such as drug-related crimes, crimes of organizations in the nature of underworld syndicates, terrorist activities crimes. Smuggling crimes, crimes of corruption and bribery, crimes of disrupting financial management order, and financial fraud crimes through various means. Any entity or individual who discovers money laundering activities has the right to report it to the anti-money laundering administrative department in charge or the public security organ. The organ accepting the report shall keep the informant and the reported content confidential.

REGULATIONS ON SECURITIES AND OVERSEAS LISTING

Securities Law

The Securities Law of the PRC (《中華人民共和國證券法》) (the “**Securities Law**”), which was promulgated by the SCNPC on December 29, 1998 and was last amended on December 28, 2019 and came into effect on March 1, 2020, comprehensively regulating activities in the Chinese mainland securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges. Securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administrate the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and circulated five supporting guidelines (collectively, the “**Filing Rules**”) which has become effective on March 31, 2023. The Filing Rules has comprehensively improved and reformed the regulatory regime for overseas offering and listing of the PRC domestic companies’ securities and regulate both direct and indirect overseas offering and listing of the PRC domestic companies’ securities by adopting a filing-based regulatory regime. The Filing Rules apply to all overseas equity financing and listing activities of PRC domestic companies, including initial and follow-on offerings of shares, depository receipts, convertible corporate bonds, or other equity instruments and trading of securities in overseas market.

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OVERVIEW OF SANCTIONS AND EXPORT CONTROL LAWS AND REGULATIONS

Sanction

Set out below is a summary of the sanctions regimes imposed by U.S., the United Nations, the EU, the United Kingdom and United Kingdom overseas territories and Australia. This summary does not set out the laws and regulations relating to the U.S., the United Nations, the EU, the United Kingdom and Australian sanctions in their entirety.

U.S.

Treasury regulations

OFAC is the primary agency responsible for administering U.S. sanctions programs against targeted countries, entities, and individuals. “Primary” U.S. sanctions apply to “U.S. persons” or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency even if performed by non-U.S. persons), and “secondary” U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity’s domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies’ foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens (“green card” holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to “block” (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) except pursuant to an authorization or license from OFAC.

OFAC’s comprehensive sanctions programs currently apply to Cuba, Iran, North Korea, Syria, the Crimea, the so-called Luhansk People’s Republic and the Donetsk People’s Republic regions. OFAC also prohibits U.S. persons from dealing with or facilitating dealings with individuals, entities and organizations identified in the SDN List or other sanctions lists. Doing business with individuals or entities from a country or region subject to selective sanctions maintained by OFAC (currently including Russia, Belarus, Venezuela and other countries/regions) will not automatically trigger sanctions risks unless a Sanctioned Target is involved. An entity that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) is also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

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United Nations

The United Nations Security Council (the “UNSC”) can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote nonproliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union (“EU”)

Under EU sanction measures, there is no ‘blanket’ ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to EU sanctions where that counterparty is not a Sanctioned Target and not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures, provided that no funds and economic resources are made available to the Sanctioned Targets.

United Kingdom (“UK”)

UK sanctions are in force under the Sanctions and Anti-Money Laundering Act 2018 (“**the UK Sanctions Act**”), which enables the transition of existing EU sanctions programs and the establishment of autonomous UK regimes. The United Kingdom is no longer an EU member state as of January 1, 2021. Starting from January 1, 2021, the United Kingdom applies its own sanctions programs through regulations setting out the specific measures under each UK sanctions regime.

REGULATORY OVERVIEW

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

Export Control

The EAR govern the export and transfer of “items subject to the EAR”, maintaining an extraterritorial reach that applies to (i) U.S.-origin content or foreign-made products exceeding a de minimis threshold of controlled U.S. content, and (ii) certain foreign products manufactured using specific U.S. technology under the Foreign Direct Product rules. Compliance is generally determined based on a product’s classification and the end-user’s status on restrictive lists, such as the U.S. Entity List.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are a leading power generation solution provider and leading marine engine provider in China. We design, develop, manufacture and sell power generator engines, marine engines, power generator sets and engine components, serving a wide array of markets across the economy, including data centers, distributed power station, telecommunications, oil & gas, marine, and other sectors.

Our history traces back to 1951, when Yulin Quantang Industrial Cooperative (玉林泉塘工業社) (“**Yulin Quantang**”) was established in Yulin, Guangxi Zhuang Autonomous Region of China to produce agricultural machinery and equipment. Yulin Quantang was developed and subsequently restructured as Guangxi Yuchai Machinery Group Co., Ltd. (“**GY**”) in 1992, with its engine and machinery business transferred into its then newly set-up subsidiary Guangxi Yuchai Machinery Co., Ltd. (“**GYMCL**”). In 2015, a dedicated marine and genset power division was set up by GYMCL, which focused on the design, development, manufacture and sale of power generators and marine engines. In 2022, GYMCL injected the marine and genset power business into our Company, so to concentrate managerial efforts and improve operational efficiency. In December 2025, we were converted into a joint stock limited company. See “Major Development and Shareholding Changes of the Company” in this section.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following is a summary of our Group’s key business development milestones:

Year	Milestone
1951	Yulin Quantang was established in Yulin, Guangxi, which principally engaged in the production of agricultural machinery and equipment.
1992	Yulin Quantang was developed and restructured as GY, and subsequently transferred its engine and machinery business into its newly set-up subsidiary, GYMCL.
1993	GYMCL introduced foreign investors including the holding company of Hong Leong Asia Ltd. (“HLA”) and became a sino-foreign company. Through a series of restructurings, China Yuchai International Limited (“CYI”) was established, and HLA become the controlling shareholder of CYI. Through its six wholly owned subsidiaries, CYI then become the controlling shareholder of GYMCL which held 76.41% of its equity interest.
1994	CYI was listed on the NYSE.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestone
2015	GYMCL established a dedicated marine and genset power division which focused on the design, development, manufacture and sale of power generator engines and marine engines.
2016	One of our major power generator engine series, YC16VC, was launched.
2017	- Guangxi Yuchai Deyou Power Generator Limited Company (廣西玉柴德優發動機有限公司) (the former name of our Company) was established in the PRC as a subsidiary of GYMCL. - MTU Yuchai, a 50–50 joint venture between GYMCL and Rolls-Royce Solutions GmbH (“Rolls-Royce”) (a subsidiary of Rolls-Royce Power Systems AG) focusing on the production of <i>mtu</i> Series 4000 diesel engines, was incorporated.
2021	Guangxi Yuchai Deyou Power Generator Limited Company (廣西玉柴德優發動機有限公司) changed its name to Guangxi Yuchai Marine and Genset Power Co., Ltd* (廣西玉柴船電動力有限公司).
2022	With the continued growth of the marine and genset power division and a positive market outlook, GYMCL’s marine and genset business was injected into our Company.
2025	The Company converted into a joint stock limited liability company under the laws of the PRC, and the Chinese name of our Company changed from “廣西玉柴船電動力有限公司” to “廣西玉柴船電動力股份有限公司”.

OUR SUBSIDIARIES AND JOINT VENTURE

As of the Latest Practicable Date, we have two subsidiaries, namely Guangxi Yuchai Deyou Engine Systems Co., Ltd.* (廣西玉柴德優發動機系統有限公司) (“**Yuchai Deyou**”) and Guangxi Yuchai Marine and Genset Power Solutions Co., Ltd* (廣西玉柴船電發電設備有限公司) (“**Yuchai Power Solutions**”), both of which were established in the PRC. Furthermore, we hold a 50% equity interest in MTU Yuchai, a joint venture of the Company.

Yuchai Deyou

Yuchai Deyou was incorporated under the laws of the PRC on December 22, 2021 as a limited liability company, with the registered capital of RMB20 million, and the principal business of selling engines. At the time of incorporation, Yuchai Deyou was a wholly owned subsidiary of GYMCL, the Controlling Shareholder of the Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Pursuant to the capital injection and transfer of assets and shares of GYMCL in December 2022, 100% of equity interest of Yuchai Deyou was transferred from GYMCL to the Company. See “Major Development and Shareholding Changes of the Company — 3. Capital increase and transfer of assets and shares in December 2022” in this section for further details of the transfer. As a result of the such transfer, Yuchai Deyou became a direct wholly-owned subsidiary of the Company.

Yuchai Power Solutions

Yuchai Power Solutions was incorporated under the laws of the PRC on July 10, 2025 as a limited liability company with the registered capital of RMB50 million, and the principal business of development, manufacture and sale of power generator sets. Yuchai Power Solutions is a non-wholly owned subsidiary of the Company, in which the Company owned as to 75% of its equity interest. The remaining 25% equity interest of Yuchai Power Solutions was owned by Guangxi Yuchai Power Machinery Co., Ltd (廣西玉柴動力股份有限公司), a subsidiary of GY.

MTU Yuchai

MTU Yuchai was incorporated under the laws of the PRC on January 18, 2017, as a sino-foreign limited joint venture with the registered capital of RMB150 million. MTU Yuchai was a 50-50 joint venture established pursuant to a joint venture contract entered into between Rolls-Royce and GYMCL in February 2016, in which Rolls-Royce and GYMCL each held 50% of equity interest of MTU Yuchai at the time of its incorporation. Its principal businesses include the production of, under the license from Rolls-Royce and subject to the terms and conditions of such license, *mtu* branded diesel engines in the PRC.

In light of the capital injection and transfer of assets and shares of GYMCL in December 2022, 50% equity interest of MTU Yuchai owned by GYMCL was being transferred to the Company. See “Major Development and Shareholding Changes of the Company — 3. Capital increase and transfer of assets and shares in December 2022” in this section for further details of the transfer. As a result of the capital injection and transfer of assets and shares, 50% of equity interest of MTU Yuchai was held by the Company, and MTU Yuchai has since become a joint venture of the Company. As neither Rolls-Royce nor GYMCL has unilateral control over MTU Yuchai, and decisions on the relevant activities require unanimous consent of both parties, MTU Yuchai was recognized as a joint venture of the Company.

MAJOR DEVELOPMENT AND SHAREHOLDING CHANGES OF THE COMPANY

1. Early development of Yuchai brand and our business

Our history traces back to 1951, when Yulin Quantang was established in Yulin, Guangxi Province and began its business by producing agricultural machinery and equipment. Yulin Quantang was developed and subsequently restructured as GY in 1992, when its engine and machinery business transferred into its then newly set-up joint stock limited company, GYMCL. GYMCL’s primary businesses at the relevant time include the manufacture, machinery and sale of a

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

wide variety of light-, medium- and heavy-duty engines for vehicle and non-road applications, and distributed its engines to OEMs throughout the PRC, which in turn laid the foundation of the business relating to the manufacture and sales of engines, power generators and marine engines.

In 1993, GYMCL introduced foreign investors, including the holding company of HLA and became a sino-foreign company. Following a series of further restructuring steps, CYI was established in 1993, and HLA become the controlling shareholder of CYI. Through its six wholly owned subsidiaries, CYI then become the controlling shareholder of GYMCL which held 76.41% of its equity interest. CYI was listed on the NYSE in December 1994.

Our main business operation started in 2015, when the management at GYMCL established a dedicated division, marine and genset power division, which focused on the design, development, manufacture, and sale of power generators and marine engines. The division’s businesses related to power generator and marine engine development and sales has continued to expand. Notably, one of our major power generator engine series, YC16VC, was launched in late 2016.

2. Establishment of the Company

On January 10, 2017, the Company was established in the PRC as a limited liability company with an initial registered capital of RMB20,000,000, under the previous name of Guangxi Yuchai Deyou Power Generator Limited Company (廣西玉柴德優發動機有限公司). At the time of establishment, the Company was wholly-owned by GYMCL with the principal business of selling *mtu* branded engines.

In December 2021, Guangxi Yuchai Deyou Power Generator Limited Company (廣西玉柴德優發動機有限公司) changed its name to Guangxi Yuchai Marine and Genset Power Co., Ltd* (廣西玉柴船電動力有限公司).

3. Capital increase and transfer of assets and shares in December 2022

As the business under the marine and genset power division showed a strong development trend, GYMCL strategically decided to split and inject the business under this division to our Company, so to concentrate managerial efforts, and improve the operational efficiency.

Pursuant to the shareholders’ resolution dated December 20, 2022, the registered capital of our Company was increased from RMB20,000,000 to RMB400,000,000. The increase in registered capital was contributed by GYMCL via (i) an in-kind capital injection into the Company comprising non-monetary assets (“**Injected Assets**”); and (ii) transfer of 100% equity interests in Yuchai Deyou (“**Deyou Shares**”); and (iii) transfer of 50% equity interest in MTU Yuchai (“**MTU Yuchai Shares**”) to the Company. The value of the Injected Assets, Deyou Shares and MTU Yuchai Shares was determined on an arm’s length basis with reference to its appraised value under the valuation reports issued by an independent third party valuer.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon the completion of such capital increase, the shareholding structure of the Company was as follows:

Name of Shareholders	Registered capital held (RMB'000)	Percentage of shareholding (%)
GYMCL	400,000.0	100.00

4. Capital increase in June 2024

On June 24, 2024, the shareholder of the Company resolved to increase the registered capital of the Company from RMB400,000,000 to RMB428,000,000 at the subscription of RMB2.96 for every RMB1 of newly increased registered capital of the Company, with the total subscription contributed by Yulin Changyingjia, Yulin Dayingjia and Yulin Zhongli amounted to RMB82,880,000. Specifically, (i) Yulin Changyingjia contributed RMB54,380,001 to subscribe for RMB18,371,622 of the newly increased registered capital; (ii) Yulin Dayingjia contributed RMB21,700,006 to subscribe for RMB7,331,083 of the newly increased registered capital; and (iii) Yulin Zhongli contributed RMB6,799,993 to subscribe for RMB2,297,295 of the newly increased registered capital. The consideration was determined with reference to the then appraised net asset value of our Company. See “Limited Partnership Platforms” in this section for further details of Yulin Changyingjia, Yulin Dayingjia and Yulin Zhongli.

Upon the completion of such capital increase, the shareholding structure of the Company was as follows:

Name of Shareholders	Registered capital held (RMB'000)	Percentage of shareholding (%)
GYMCL	400,000.0	93.46
Yulin Changyingjia	18,371.6	4.29
Yulin Dayingjia	7,331.1	1.71
Yulin Zhongli	2,297.3	0.54
Total	428,000.0	100.00

5. Equity transfer in August 2025

On August 8, 2025, Yulin Dayingjia entered into an equity transfer agreement with Yulin Zhongli pursuant to which Yulin Zhongli acquired from Yulin Dayingjia RMB168,921 of the registered capital of the Company (representing 0.04% equity interests in the Company) at a consideration of RMB543,925.6, representing. The consideration of RMB3.22 per RMB1 registered capital was determined with reference to the net asset value of the Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon the completion of equity transfer, the shareholding structure of the Company was as follows:

Name of Shareholders	Registered capital held (RMB'000)	Percentage of shareholding (%)
GYMCL	400,000.0	93.46
Yulin Changyingjia	18,371.6	4.29
Yulin Dayingjia	7,162.2	1.67
Yulin Zhongli	2,466.2	0.58
Total	428,000.0	100.00

6. Conversion into a joint stock company with limited liability

On December 24, 2025, our Shareholders passed resolutions approving, among other things, (i) the conversion of our Company from a limited liability company into a joint stock company with its Chinese name changed from “廣西玉柴船電動力有限公司” to “廣西玉柴船電動力股份有限公司”, and (ii) the conversion of our audited net asset value after distribution of profits in an amount of RMB 1,322,373,046.74 as of January 31, 2025 into 856,000,000 Shares with a nominal value of RMB1.00 each at a ratio of 1:0.6473, which were issued to the then Shareholders in proportion to their respective equity interests in our registered capital, and the crediting of the remaining net assets value of RMB466,373,046.74 as our capital reserve. The conversion was completed on December 31, 2025.

The table below sets forth the shareholding structure of the Company immediately following the completion of the conversion into a joint stock company with limited liability:

Name of Shareholders	Number of Shares held	Percentage of shareholding (%)
GYMCL	800,000,000	93.46
Yulin Changyingjia	36,743,244	4.29
Yulin Dayingjia	14,324,324	1.67
Yulin Zhongli	4,932,432	0.58
Total	856,000,000	100.00

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

COMPLIANCE OF PRC REGULATIONS

As confirmed by our PRC Legal Advisor, the equity transfers, capital increases and conversion into a joint stock company of our Group as described above were conducted in compliance with the applicable PRC laws and regulations in all material aspects and all necessary registrations or filings with the relevant local branch of the SAMR have been completed in accordance with applicable PRC laws and regulations in all material aspects.

RELATIONSHIP BETWEEN THE COMPANY, CYI, HLA AND GY ENTITIES

As of the Latest Practicable Date, HLA was the controlling shareholder of CYI. Through its wholly owned subsidiaries, HLA beneficially owned 48.70% of CYI’s shares and held a special share that entitled it to elect a majority of CYI’s directors and no shareholders’ resolution may be passed without the affirmative vote of the special share. In addition, GY, which is controlled by Guangxi SASAC, held a further 20.09% of CYI’s ordinary shares through its subsidiaries.

CYI, through six wholly owned subsidiaries, held 76.41% of the equity interest in GYMCL and was its controlling shareholder, while GY directly held 22.71% of GYMCL as of the Latest Practicable Date. GYMCL, together with the Limited Partnership Platforms, controlled 100% of the voting interest in the Company and is the Controlling Shareholder of the Company. See below for the brief background of GYMCL, CYI, HLA and GY:

GYMCL

GYMCL is our Controlling Shareholder and is principally engaged in the design, manufacture, assembly and sales of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment, as well as marine and power generation applications through our Group. It offers a comprehensive portfolio of powertrain solutions, including but not limited to diesel, natural gas, and new energy products such as pure electric, range extenders, and hybrid and fuel cell systems.

CYI

CYI, the controlling shareholder of GYMCL, is a company listed on the New York Stock Exchange under the symbol of “CYD”. Its primarily acts as a holding company for its principal subsidiary, GYMCL through six wholly owned subsidiaries, HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH and Youngstar. HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH and Youngstar are investment holding companies of GYMCL without any substantive business.

HLA

HLA, the controlling shareholder of CYI, is a company listed on the main board of the Singapore Stock Exchange (SGX: H22) since 1998 with core businesses in powertrain solutions and building materials. The building material business supplies cement, ready-mix concrete and precast concrete elements for the built environment in Singapore and Malaysia. For the powertrain solutions business, HLA and its subsidiaries principally operate through CYI and GYMCL.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

GY

GY is a company incorporated in August 1992. It is a large state-owned enterprise group with a diversified business portfolio. GY controls a number of subsidiaries spanning three principal industrial sectors, including manufacture of engines, logistics and supply chain services and new energy industries and related services. As at the Latest Practicable Date, it was controlled by Guangxi SASAC.

GY has ranked among China’s Top 500 Enterprises, the Global Top 100 Automotive Components Suppliers, China’s Top 100 Machinery Manufactures and China’s 500 Most Valuable Brand for a number of years. Its core product portfolio includes diesel engines, gas engines, hybrid powertrains, pure electric powertrains, as well as construction machinery, sanitation equipment, special-purpose vehicles and engine components.

During the Track Record Period, the Company has entered into various transactions with GYMCL, a connected person of the Company classified under chapter 14A of the Listing Rules. See “Connected Transactions” in this document for further details. Separately, given that GY does not control GYMCL, it is not a substantial shareholder of the Company and therefore not a connected person of the Company under the Listing Rules. Nevertheless, GY Entities, which is classified as a related party of the Company under the definition of IFRS 24, has also entered into various transactions with the Company during the Track Record Period. See note 34 to the Accountants’ Report in Appendix I and note 25 to the Unaudited Interim Condensed Consolidated Financial Information in Appendix IA to this document for details of the related party transactions between GY Entities and the Company, and “Business — Transactions with the Related Parties — Transactions with GY Entities” in this document for rationale for such transactions.

LIMITED PARTNERSHIP PLATFORMS

Equity Incentive Platforms — Yulin Changyingjia and Yulin Zhongli

To enhance management stability, retain key personnel, optimize remuneration and performance assessment, and strengthen corporate cohesion, Yulin Changyingjia and Yulin Zhongli were established in the PRC as employee share incentive platforms. Our Shareholders have adopted an employee share incentive plan (the “**Employee Share Incentive Plan**”) under which partnership interests in Yulin Changyingjia and Yulin Zhongli may be awarded to eligible participants.

Pursuant to the terms of the Employee Share Incentive Plan and the respective partnership agreements, certain employees of the Company have been granted awards and, upon grant or exercise, are registered as limited partners of the relevant employee share incentive platforms. The management of the Employee Share Incentive Plan are exercised by its respective executive partner in accordance with the applicable partnership agreements, while the relevant employees, as limited partners, are entitled to the corresponding economic interests.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

As of the Latest Practicable Date, the awards under the Employee Share Incentive Plan have been fully granted and all grantees have paid their respective amount of subscription price in full. In addition, the underlying Shares under the Employee Share Incentive Plan had already been issued, no new Shares will be issued pursuant to the such plan. See “Statutory and General Information — Other Information — Employee Share Incentive Plan” in Appendix IV to this document for further details.

Yulin Changyingjia

Yulin Changyingjia was established as a limited partnership under the laws of the PRC on September 7, 2023. As of the Latest Practicable Date, Yulin Changyingjia held 4.29% of our total issued Shares. The partnership’s affairs are managed and executed by its executive partner, Mr Ning, who is also a general partner holding 27.58% of the partnership interests, and serves as an executive Director and the general manager of our Company. The partnership has two other general partners, Dr. Huang and Mr. Lu, holding 6.44% and 4.60% of the partnership interests, respectively. The remaining 61.38% of the partnership interests are held by 43 employees (who are neither Directors nor senior management of our Company) amounted to 61.38% and GYMCL amounted to 0.0001% as limited partners.

Yulin Zhongli

Yulin Zhongli was established as a limited partnership under the laws of the PRC on June 24, 2024. As of the Latest Practicable Date, Yulin Zhongli held 0.58% of our total issued Shares. The partnership’s affairs are managed and executed by its executive partner, Mr. Yi Jianing (易加寧), who is also a general partner holding 47.94% of the partnership interests, and serves as a sales director of our Company. The partnership has another general partner, Mr. Deng Yapeng (鄧亞鵬), a sales director of our Company, holding 34.25% of the partnership interests. The remaining 17.81% of the partnership interests are held by nine employees (who are neither Directors nor senior management of our Company) amounted to 17.81% and GYMCL amounted to 0.0004% as limited partners.

Yulin Dayingjia

Yulin Dayingjia was established as a limited partnership under the laws of the PRC on September 7, 2023. As at the Latest Practicable Date, Yulin Dayingjia held 1.67% of our total issued Shares. It serves as a platform under which partnership were awarded to eligible participants who are employees of GYMCL and its subsidiaries other than our Company. The partnership’s affairs are managed and executed by its executive partner, Mr. Chen, our non-executive Director, who is also a general partner holding 6.60% of the partnership interests. The partnership has two other general partners, Ms. Su, our non-executive Director, and Mr. Zuo Junjie (左俊杰), holding 3.54% and 3.54% of the partnership interest, respectively. The remaining 86.32% of the partnership interest is held by nine individuals amounted to 53.5%, and GYMCL amounted to 33.02% as limited partners.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

ACTING IN CONCERT ARRANGEMENT

Since the introduction of the Limited Partnership Platforms as shareholders of our Company through capital increase in June 2024, the Limited Partnership Platforms and GYMCL have been acting in concert with each other based on the terms under their respective partnership agreements, in which the Limited Partnership Platforms shall act in concert with GYMCL and exercise their voting rights in the Company in such manner as directed by GYMCL.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any major acquisitions, disposals or mergers that we consider to be material to us.

REASONS FOR THE [REDACTED]

The Company is seeking a [REDACTED] of its H Shares on the Stock Exchange in order to raise further capital for the development of our business and expansion of our manufacturing capacity, to strengthen our business profile and expand our global presence. See “Future Plans and [REDACTED]” in this document for further details.

In particular, with respect to CYI’s business prospects and corporate strategy, CYI, a company listed on the NYSE and one of the Controlling Shareholders of the Company, supports the spin-off and separate [REDACTED] of the Company on the Stock Exchange.

CAPITALIZATION

The Company applied for H-share full circulation to convert certain of the Unlisted Shares into H Shares per the instructions of the relevant Shareholders. The conversion of Unlisted Shares into H Shares will involve an aggregate of [REDACTED] Unlisted Shares held by all four existing Shareholders, representing approximately [REDACTED]% of the total issued Share capital of the Company upon completion of the conversion of Unlisted Shares into H Shares and the [REDACTED] (assuming no exercise of the [REDACTED]). Save as disclosed in this document and to the best knowledge of our Directors, we are not aware of the intention of any existing Shareholders to convert their Unlisted Shares. For further details, see “Share Capital” in this document.

LOCK-UP PERIOD

Pursuant to the applicable PRC laws, within the 12 months following the [REDACTED], all existing Shareholders prior to the [REDACTED] shall not dispose of any of the Shares held by them.

PUBLIC FLOAT

Upon the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised) and the conversion of the Unlisted Shares into H Shares, [REDACTED] Unlisted Shares will be converted into H Shares and [REDACTED] on the Stock Exchange. Upon the [REDACTED] and the conversion of United Shares into H Shares, the H Shares held by GYMCL

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

and the Limited Partnership Platforms, representing approximately [REDACTED] of our total issued Shares (assuming that the [REDACTED] is not exercised) will not be considered as part of the public float for the purpose of Rule 8.08 (as amended and replaced by Rule 19A.13A) of the Listing Rules, as both GYMCL and the Limited Partnership Platforms are our Controlling Shareholder, and hence our core connected persons.

To the best knowledge of our Directors, save as disclosed above, upon the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised) and conversion of Unlisted Shares into H Shares, [REDACTED] H Shares held or controlled by our Shareholders who are not our core connected persons, representing approximately [REDACTED]% of our total issued Shares, will be counted towards the public float, which is in compliance with the requirement under Rule 8.08 of the Listing Rules.

FREE FLOAT

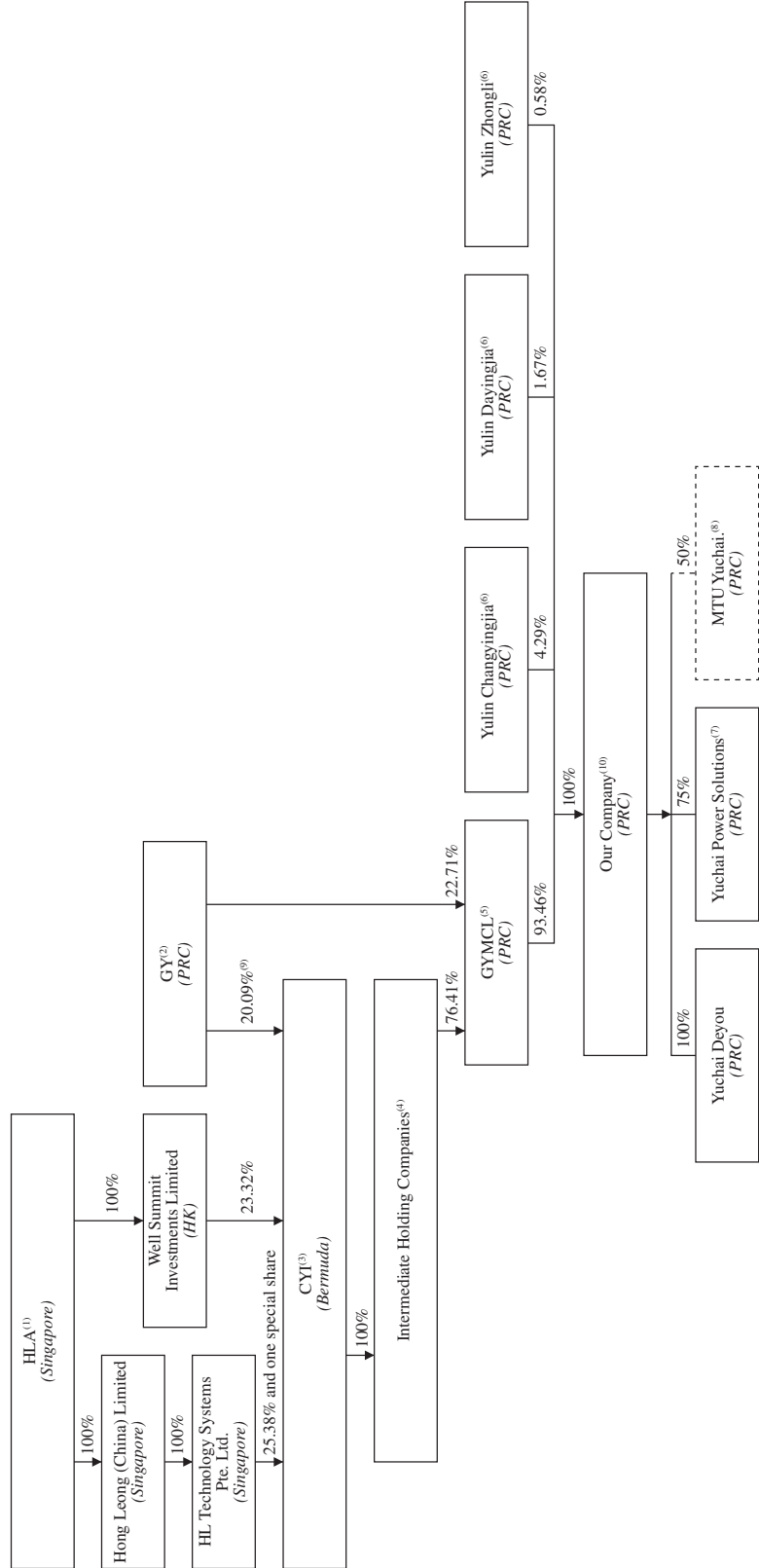
Under Rule 19A.13C of the Listing Rules, a PRC issuer with no other listed shares at the time of the [REDACTED] must ensure that the portion of H shares for which [REDACTED] is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise) at the time of [REDACTED] (i) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of [REDACTED] (excluding treasury shares), with an expected market value at the time of the [REDACTED] of not less than HK\$50,000,000, or (ii) have a market capitalization of at least HK\$600,000,000.

It is expected that immediately following completion of the [REDACTED], the expected market value of the H Shares listed on the Stock Exchange that are not subject to any disposal restrictions at the time of the [REDACTED] is not less than HK\$600,000,000. Accordingly, the Company will be able to satisfy the requirements under Rule 19A.13C of the Listing Rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

The chart below sets out the shareholding structure of our Group immediately before completion of the [REDACTED]:



Notes:

- (1) As of the Latest Practicable Date, HLA, whose shares are listed on the Mainboard of the Singapore Stock Exchange, beneficially owns 48.70% of the ordinary shares and a special share of CYI that entitles HLA to elect a majority of directors in CYI through its wholly-owned subsidiaries and no shareholders' resolution may be passed without the affirmative vote of the special share.
- As of the Latest Practicable Date, Hong Leong Corporation Holdings Pre. Ltd. is the immediate Holding Company of HLA, and is ultimately controlled by Hong Leong Investment Holdings Pte. Ltd. See “Substantial Shareholders” in this document for further details.

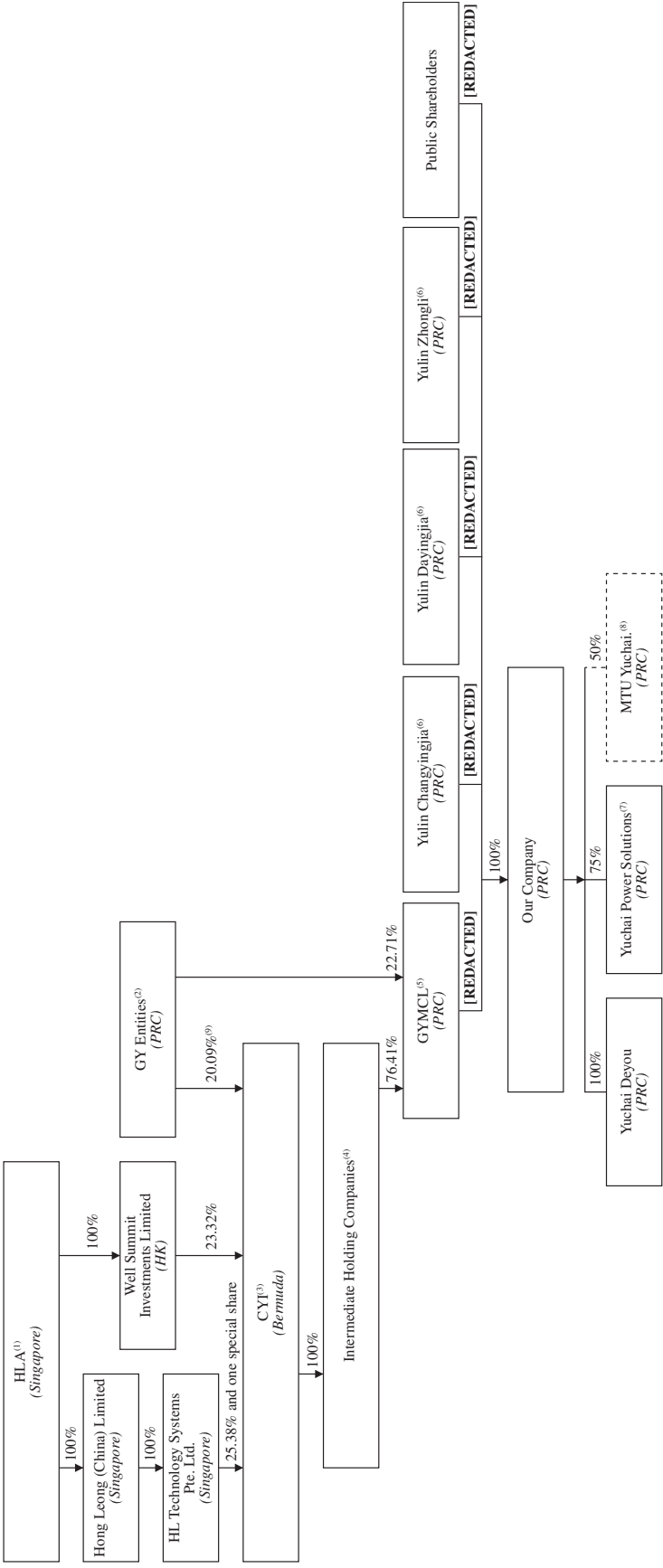
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (2) As of the Latest Practicable Date, Coomber Investment Ltd., a wholly-owned subsidiary of Goldman Industrial Ltd., which in turn wholly owned by GY was interested in 20.09% of equity interest of CYI. Therefore, GY indirectly held 20.09% of equity interest of CYI. GY was controlled by Guangxi SASAC.
- (3) As of the Latest Practicable Date, CYI, whose shares are listed on NYSE, was held as to 48.70% by HLA (through Hong Leong (China) Limited., HL Technology Systems Pte. Ltd. and Well Summit Investments Limited), 26.75% by public shareholders, 20.09% by GY Entities, and 4.46% by Shah Capital Management, an Independent Third Party.
- (4) Intermediate holding companies represents: (i) HLTs which held 22.26% of equity interest of GYMCL; (ii) Earnest Assets which held 21.45% of equity interest of GYMCL; (iii) Cathay Diesel Holdings which held 12.64% of GYMCL; (iv) Tsang & Ong which held 12.64% of equity interest of GYMCL; (v) GSGH which held 5.22% of GYMCL; and (vi) Youngstar which held 2.20% of GYMCL.
- (5) As of the Latest Practicable Date, GYMCL was indirectly held 76.41% by CYI through its six wholly-owned subsidiaries, 22.71% by GY Entities through its wholly-owned subsidiaries, and the remaining 0.88% of shares are legal person shares.
- (6) As of the Latest Practicable Date and by virtue of the acting-in-concert arrangement among the Limited Partnership Platform and GYMCL, each of Yulin Dayingjia, Yulin Changyingjia and Yulin Zhongli shall act in concert with GYMCL when exercising the right to vote as a shareholder of the Company. See “Acting In Concert Arrangement” in this section for further details.
- (7) As of the Latest Practicable Date, the remaining 25% equity interests of Yuchai Power Solutions was held by Guangxi Yuchai Power Machinery Co., Ltd (廣西玉柴動力股份有限公司), a subsidiary of GY Entities .
- (8) As of the Latest Practicable Date, MTU Yuchai was a joint venture company in which 50% of equity interest was held by the Company, and the remaining 50% equity interests of MTU Yuchai was held by Rolls-Royce. See “Our Subsidiaries and Joint Venture — MTU Yuchai” in this section for further details.
- (9) GY held 20.09% of the shares of CYI through GY Entities.
- (10) As of the Latest Practicable Date, GYMCL directly held 93.46% of our Company’s equity interest, and Yulin Changyingjia, Yulin Dayingjia and Yulin Zhongli held 4.29%, 1.67% and 0.58% of equity interest of our Company, respectively. If we were to include GYMCL’s attributable interest in the Limited Partnership Platforms (meaning its percentage equity interest in each of Yulin Changyingjia, Yulin Dayingjia and Yulin Zhongli), GYMCL’s attributable interest in the Company will increase by 0.55% and amounted to a total of 94.01%.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED]

The chart below sets out the shareholding structure of our Group immediately following completion of the [REDACTED] (assuming that [REDACTED] is not exercised):



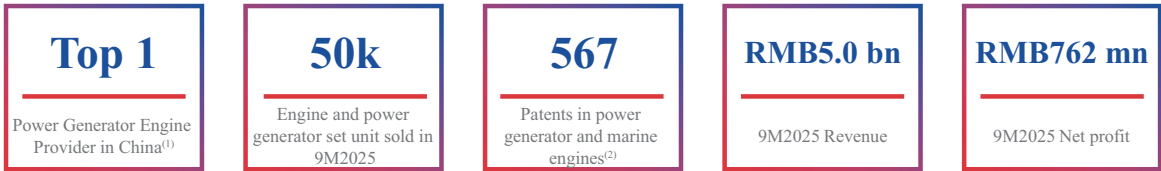
Notes (1) to (9): Please refer to the shareholding and corporate structure immediately prior to the completion of the [REDACTED].

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OVERVIEW

GYMGP Today

We are a leading power generation solution provider. According to Frost & Sullivan, we are the largest power generator engine provider in China, based on sales revenue of power generator engines in China in 2024. We are also a leading marine engine provider in China, ranking second in terms of sales revenue of medium- and high-speed marine engines in China in 2024, according to Frost & Sullivan. We design, develop, manufacture and sell power generator engines, marine engines, power generator sets and engine components, serving a wide array of markets across the economy, including data center, distributed power station, infrastructure construction, telecommunications, healthcare, mining, agriculture, oil & gas and vessel transportation and operation sectors. We primarily conduct our business in China and maintain overseas sales teams for sales of our products to Europe, Middle East, Africa, Asia and South America. The chart below demonstrates the highlights of our business:



- Notes:
- (1) In terms of sales revenue of power generator engines in China in 2024, according to Frost & Sullivan.
 - (2) As of September 30, 2025.

Our Milestones

Our history traces back to 1951, when Yulin Quantang was established in Yulin, Guangxi to produce agricultural machinery and equipment. Yulin Quantang was developed and subsequently restructured as GY in 1992, with its engine and machinery business transferred into its then newly set-up subsidiary GYMCL. In 2015, a dedicated marine and genset power division was set up by GYMCL, which focused on the development, manufacture and sale of power generators and marine engines. In 2022, GYMCL injected the marine and genset power business into our Company. Since then, we have been consistently focusing on independent research and development, product innovation, engineering excellence, and have built the GYMGP brand recognized by global customers.

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The following table sets out our major milestones in the development of our business to date:

Year	Event
1951	Yulin Quantang was established in Yulin, Guangxi, which principally engaged in the production of agricultural machinery and equipment.
1992	Yulin Quantang was developed and restructured as GY, and subsequently transferred its engines and machinery business into its newly set-up subsidiary, GYMCL.
1994	CYI, the controlling shareholder of GYMCL, was listed on the NYSE.
2015	GYMCL established a dedicated marine and genset power division which focused on the design, development, manufacture and sale of power generator engines and marine engines.
2016	One of our major power generator engine series, the YC16VC, was launched.
2017	MTU Yuchai, a 50–50 joint venture between GYMCL and Rolls-Royce, a subsidiary of Rolls-Royce Power Systems AG focusing on the production of <i>mtu</i> Series 4000 diesel engines, was incorporated.
2022	With the continued growth of the marine and genset power division and a positive market outlook, GYMCL’s marine and genset business was injected into our Company.

Our Brand and Product Portfolio

Our product portfolio primarily encompasses power generator engines and marine propulsion and auxiliary engines. Our power generator engine products are engineered and manufactured to achieve outstanding performance, featuring high power output, high reliability, and low emissions, which continuously powers the operation and growth of our end customers. We also provide power generator sets and, to a small scale, engine components and certain engine-related services.

We primarily offer “Yuchai” branded products and have gained customer recognition through diversified product offerings over the years. We also provide *mtu* branded products produced by MTU Yuchai, our joint venture with Rolls-Royce. Through this dual-brand strategy, we are able to address the differentiated needs and preferences of customers.

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The table below sets forth a breakdown of our revenue by product type for the years/periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	% (unaudited)	RMB'000 (unaudited)	% (unaudited)
Power generator engines	2,457,201	75.8	3,052,467	76.4	2,322,595	78.3	3,435,024	69.1
Large engines	853,339	26.4	1,374,107	34.5	1,036,152	35.0	1,932,204	38.9
Heavy-duty engines	943,006	29.0	864,381	21.6	673,430	22.7	692,667	13.9
Medium- to light-duty engines	660,856	20.4	813,979	20.3	613,013	20.6	810,153	16.3
Marine propulsion and auxiliary engines	481,183	14.9	476,999	11.9	369,048	12.4	477,014	9.6
Power generator sets	114,769	3.6	113,234	2.8	60,881	2.0	335,628	6.8
Engine components and others	185,855	5.7	357,096	8.9	215,347	7.3	719,533	14.5
Total	<u>3,239,008</u>	<u>100.0</u>	<u>3,999,796</u>	<u>100.0</u>	<u>2,967,871</u>	<u>100.0</u>	<u>4,967,199</u>	<u>100.0</u>

Our Go-to-Market Approach

We sell our products to original equipment manufacturers (OEMs), end users and distributors worldwide. Our direct customers are primarily OEMs who assemble our power generator engines together with other components into power generator sets for sales, and end users of power generator sets in a wide array of industries. In addition, we sell our marine propulsion and auxiliary engines primarily through distributors. We primarily serve our customers through an extensive service network of more than 1,000 authorized service stations and is capable of providing 24/7 rapid response.

Our Globalization Efforts

We strive to expand our global footprint. During the Track Record Period, our overseas sales increased by 78.4% from RMB120.2 million in 2023 to RMB214.4 million in 2024, contributing 5.4% of our total revenue in 2024. As of the Latest Practicable Date, our overseas sales teams covered Europe, Middle East, Africa, Asia and South America.

Our Global Opportunities

Since our inception, we have continually grown our customer base and gained customer recognition in China. We have strategically begun developing international markets and successfully achieved a foothold in several key markets.

We see substantial global opportunities ahead, underpinned by rapid capacity expansion in data centers driven by the AI revolution, the wider adoption of distributed power stations, the continued advancement of infrastructure construction and a tight supply of power generator engines. According to Frost & Sullivan, the size of global power generator engine market is expected to grow from approximately RMB55.9 billion in 2024 to RMB143.8 billion in 2030, with a CAGR of

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17.1% from 2024 to 2030; and the size of Chinese power generator engine market is expected to grow from approximately RMB14.7 billion in 2024 to RMB41.5 billion in 2030, with a CAGR of 18.9% from 2024 to 2030. In particular, AI data centers, as the core carriers of computing-power infrastructure, are expanding rapidly in market size. As demand for AI data centers is increasing significantly, reliance on highly reliable infrastructure has likewise increased and, in turn, has driven robust growth in demand for power generator engines. According to Frost & Sullivan, the size of the global market of power generator engines for data centers is expected to grow from approximately RMB30.0 billion in 2024 to RMB101.8 billion in 2030, with a CAGR of 22.6% from 2024 to 2030.

Our Financial Performance

During the Track Record Period, we experienced significant growth in our operating results. We recorded revenue of RMB3,239.0 million, RMB3,999.8 million, RMB2,967.9 million and RMB4,967.2 million, for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively. Our gross profit was RMB725.5 million, RMB936.4 million, RMB685.8 million and RMB1,182.6 million, respectively, and our gross profit margin was 22.4%, 23.4%, 23.1% and 23.8%, respectively, for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025. Our net profit was RMB395.9 million, RMB535.8 million, RMB428.6 million and RMB762.0 million, respectively, and our net profit margin was 12.2%, 13.4%, 14.4% and 15.4%, respectively, for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths position us well to capitalize on future opportunities and deliver continued growth:

Leading power generation solution provider in China

We are a leading power generation solution provider in China. According to Frost & Sullivan, we are the largest power generator engine provider in China, based on sales revenue of power generator engines in China in 2024, with a market share of 20.2%. We are also a leading marine engine provider in China, ranking second with a market share of 16.2% in terms of sales revenue of medium- and high-speed marine engines in China in 2024, according to Frost & Sullivan.

We have gained wide recognition from customers. Our power generator engine products have been deployed by leading telecom operators, internet companies and data center providers in China, supporting the reliable operation of critical infrastructure of the economy.

We have also received prestigious industry awards and played an influential role in shaping industry standards. We have repeatedly been honored with prestigious industry awards such as the China Machinery Industry Science and Technology Progress Award by the China Machinery Industry Federation and Chinese Mechanical Engineering Society, and the China Patent Award by the China National Intellectual Property Administration. Additionally, we have participated in the revision of four national standards, including Part 1, Part 7 and Part 9 of “Reciprocating Internal

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Combustion Engine-Driven Alternating Current Generating Sets” (往複式內燃機驅動的交流發電機組) and “Technical Requirement and Assessment Method of Energy Saving Products and Technologies for Marine” (船舶節能產品使用技術條件及評定方法), and the development of three new social organization standards, including “Radiators for Diesel Generator Sets” (柴油發電機組用散熱器), “Xizang Financial Data Center Construction Standards” (西藏金融數據中心建設規範) and “Specification for Mobile Power Vehicles (Diesel Engine Category)” (移動電源車運維管理技術規範(柴油機類)). Such recognitions and contributions across the entire industrial chain have also enabled us to maintain a leading position in the market.

Comprehensive and highly competitive product portfolio

We have assembled a comprehensive and highly competitive product portfolio consisting of power generator engines, marine propulsion and auxiliary engines, power generator sets and engine components. As of September 30, 2025, we have launched 28 series of power generator engines and 22 series of marine engines to the market.

Our “Yuchai” branded engine products are setting market trends with superior performance, featuring high power output, high reliability and low emissions. For example, our YC16VC series power generator engines boast a maximum power of 3,608 kW and a maximum speed of 1,500 r/min, which can address the load-carrying capacity requirements of power generator sets for data centers. Adopting our proven electronic unit pump (電控單體泵) (“EUP”) and high-pressure common-rail (高壓共軌) (“HPCR”) technologies, a typical 2 MW power generator set integrated with our YC16VC series power generator engine can achieve a maximum transient load acceptance of 77% while meeting the G3-class requirements. By comparison, comparable power generator engines of the same power output generally achieve about 60% to 65% maximum transient load acceptance, according to the Frost & Sullivan. We also distribute *mtu* branded engine products, which are manufactured by MTU Yuchai, our joint venture with Rolls-Royce. Through this dual-brand strategy, we are able to address the differentiated needs and preferences of customers.

As of the Latest Practicable Date, our power generator engines covered a broad power output range from 5 kW to 4,200 kW, catering to the diverse needs from small-scale industrial facilities to mega infrastructure projects. Our power generator engines serve a wide array of markets across the economy and play an irreplaceable role in critical areas such as emergency backup power supply, off-grid power generation and grid peak shaving. In particular, the AI revolution is fueling a structural, long-term expansion of the data center market, which in turn is driving significant and durable demand for power generation capacity. This creates a powerful, secular tailwind for our product portfolio, which is uniquely positioned to fulfill the evolving requirements for reliable and resilient power supply.

Our marine propulsion engines provide robust propulsion solutions for a broad spectrum of vessels operating in inland waterways and coastal waters, encompassing fishing, cargo, passenger, engineering and other vessels.

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Systematic, proprietary and forward-looking R&D capabilities

Through sustained long-term investment, we have built leading-edge R&D capabilities, demonstrated by our core technologies advancements.

- (a) ***High-strength, lightweight design technology:*** Our high-strength, lightweight and low-inertia design achieves high power density and high-speed performance for large-bore power generator engines, addressing common issues in traditional large-bore engines such as complex structure, heavy weight and poor rigidity. As of the Latest Practicable Date, our VC series (including YC16VC and YC12VC series) was the only domestically-produced series of V-type high-speed diesel power generator engines in China with a cylinder bore of 200 mm or greater.
- (b) ***High-efficiency, clean combustion technology:*** Our proprietary and pioneering obliquely-mounted EUP system, designed specifically for high-speed, high-power power generator and marine diesel engines, achieves high-efficiency clean combustion, low cost and strong fuel adaptability.
- (c) ***Intelligent control technology:*** Our full-function, high-power controller with an integrated electronic control unit (ECU) that is compatible to different fuel engines. It features intelligent control of air-fuel ratio and knocking, ensuring stable operation under diverse fuel source conditions and in demanding industrial scenarios.
- (d) ***Integrated grid-connection control technology for power-station generator-set clusters:*** Our integrated grid-connection control technology for power-station generator-set clusters focuses on the integrated design across high-speed, high-power power generator engines, high-efficiency alternators, highly elastic couplings, efficient waste heat recovery units, intelligent generator set control systems, multi-unit grid-connection control systems, intelligent monitoring and alarm systems, containerized systems and fire protection linkage systems. Such technology aims to address the challenges of multi-functional requirements and high integration levels in power stations.
- (e) ***Marine propulsion system technology:*** By adopting simulation-based hull-engine-propeller matching analysis, this technology addresses inefficiencies, high energy consumption and power response lag in the main propulsion system of marine engineering vessels operating under complex sea conditions and variable loads. It achieves optimal matching between the engine, gearbox and propeller, ensuring high overall propulsion efficiency.

We have built an efficient collaborative design system based on the Teamcenter Platform. Through full-process tools including 3D modeling and computer-aided simulation analysis, we have achieved efficient and precise design. In addition, leveraging full-parameter forward simulation design technology, we have achieved the forward design of finished power generator engines, enabling us to precisely calculate product performance and proactively avoid design defects.

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Moreover, we have established a comprehensive trial operation mechanism, ensuring R&D accuracy, new-product development efficiency and rapid response to market demands. Our engine testing benches have a test capacity of up to 7,500 kW. Such benches have comprehensive testing and measurement capabilities across engine performance, emissions, reliability, functionality, generator-set transient and steady-state performance, and vibration and noise. They can also accommodate testing for engines using various fuels such as diesel, natural gas and methanol, along with component installation and removal, providing full support for verifying and improving design outcomes.

Our entire design and R&D process follows the “V-model”. In the “V-model”, development phases and testing phases are mapped on a one-to-one basis and are carried out in parallel. Centered on end-customer needs and application scenarios, we conduct targeted design and development, proactively lock in verification criteria, and ensure each design phase is traceable and verifiable. See “Research and Development — R&D Process” in this section for further details.

Our innovation is driven by a high-caliber R&D team with profound technological expertise. As of September 30, 2025, we employed 173 R&D personnel, accounting for 22.1% of our total workforce, of which over 20.8% hold a master’s degree or higher. The core members of our R&D team have an average of 10 years of industry experience spanning engine design, system design, simulation analysis, performance development, mechanical development and intelligent control and other key areas. The team and its members have received several national and industry awards, including the “2020 China Outstanding Patent Award,” the “Second Prize of China Machinery Industry Science and Technology Award,” and the “2024 Guangxi Science and Technology Progress First Prize,” establishing themselves as a key force in driving industry technological advancement. Leveraging our deep technical accumulation and industry influence, we have led or participated in the formulation of one ISO international standard, four national standards and three association standards, consistently contributing to the normalization and standardization of industry technologies while building our own market influence. We have built a robust intellectual property and technology barrier. As of September 30, 2025, we held a total of 567 patents, comprising of 558 patents (including 91 invention patents) in China and nine international patents under the Patent Cooperation Treaty.

We have in-depth collaborations with leading international engine design and research firms and institutions, including, among others, FEV Group GmbH of Germany, HERON Technik GmbH of Austria and Brunel University of London in the United Kingdom, and domestic higher education institutions in the PRC, including, among others, Shanghai Jiao Tong University, Huazhong University of Science and Technology, Tianjin University and Wuhan University of Technology. Through joint efforts with such firms and institutions to tackle key challenges, we continuously advance our technological capabilities.

Engineering excellence across the entire value chain

We have built a high-quality, efficient, flexible and cost-competitive manufacturing and supply chain system through a carefully balanced strategy that combines the strategic in-house production of core components with robust multi-tier sourcing capabilities.

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We self-develop and manufacture core engine components such as cylinder blocks and cylinder heads. Our self-developed cylinder blocks can withstand ultra-high explosion pressure of over 250 bar, surpassing the industry average range of 170 to 220 bar, according to Frost & Sullivan. Our self-developed cylinder heads feature an air passage flow coefficient of 0.4, outperforming most industry peers’ products. This ensures our products’ outstanding performance, high reliability and sustained cost advantages. We have also established an end-to-end supply chain system that extends through to our suppliers, effectively ensuring seamless coordination of component production, on-time delivery and consistent quality. We implement a multi-sourcing strategy, maintaining a minimum of two qualified suppliers for the vast majority of important components to mitigate supply chain risks. This sourcing strategy is further supported by a highly localized supply chain. As of September 30, 2025, over 90% of component categories were procured within China.

We adopt modularized, series-based and standardized design principles, which significantly enhance our production flexibility and order fulfillment speed, while strengthening the compatibility of our products across diverse application scenarios. From the outset of the initial design phase, we holistically consider diverse needs of multiple industries, allowing us to meet end-customers’ non-standard requirements with minimal structural adjustments. In the production phase, we have established a flexible production system capable of swift reconfiguration and workflow adjustments. Our production system is capable of producing multiple product categories, achieving an effective balance of efficient production and customized solutions.

We embrace lean manufacturing as our core production philosophy, with a quality management system of self-inspection, mutual inspection and dedicated inspection. We have installed first-class equipment such as five-axis machining centers, horizontal boring and milling machining centers and assembly and painting robots, complemented by three-dimensional coordinate measuring machines. With our manufacturing execution system (MES) and quality management system (QMS), we can trace product quality across all production phases. We also maintain management system certifications (including ISO9001 quality management system certification, CCS certification and sector-specific product certifications for power generation products and marine engines to ensure the effectiveness of our operation and management system.

Extensive sales and service network and expanding global footprint

We operate an extensive sales network in both China and overseas countries. As of September 30, 2025, our sales and service network in China consisted of our headquarters and 13 regional sales centers in major geographic regions in China. To support our international presence and expansion, we have established five overseas business divisions covering Europe, Middle East, Africa, Asia and South America, with 156 sales and marketing personnel as of September 30, 2025. For the years ended of December 31, 2023, 2024, and the nine months ended September 30, 2024, 2025, our revenue from overseas markets amount to RMB120.2 million, RMB214.4 million, RMB127.7 million and RMB215.3 million, respectively, representing 3.7%, 5.4%, 4.3% and 4.3% of our total revenue for the same period, respectively.

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We have also established an extensive service network of more than 1,000 authorized service stations, enabling rapid response to customer requests. All engineers and technicians at the authorized service stations are required to attend at least 200 hours of training, obtain relevant certificates and pass annual examination. These measures, among others, contributed to our customer satisfaction rate of over 96% during the Track Record Period.

In China, our service network covers 333 prefecture-level divisions and four centrally-administered municipalities, which is in a leading position in the industry, according to Frost & Sullivan. In addition, we have senior field and technical service engineers stationed across China, dedicated to resolving complex after-sales issues. Our well-trained, highly skilled service engineers, supported by ample spare parts inventory and efficient operations management, ensure a 24/7 rapid response capability. For all customer repair and maintenance requests, we guarantee a response in five minutes.

Visionary management team with proven track record of innovation

Our management team possesses profound industry expertise, with an average of over 10 years of extensive experience across the power generation and marine engine industries. They have a deep understanding of industry landscape, technological trends and customer needs.

Our executive Director and general manager, Mr. Ning Xingyong (寧興勇), with over 30 years of experience in the power generator engine industry, has both local expertise and a global perspective. With deep market insights and steadfast strategy execution, he has led the team to continuously foray and progress, achieving outstanding operating results, including ranking first in sales revenue of power generator engines in China in 2024, according to Frost & Sullivan. Additionally, he has successfully positioned our Company as one of the core suppliers of backup power supplies for data centers of major domestic telecommunications companies and global internet technology companies. Furthermore, with rich experience across the entire value chain including production, R&D and marketing, Mr. Ning has taken the lead in a series of major reform initiatives, including the reform of the hourly wage system for production lines, enhancement of marketing channels and the implementation of a project-based R&D management system. Mr. Ning has been leading our Company to solidify our leading position in China and accelerate our overseas presence.

Our chief technology officer, Dr. Huang Yongzhong (黃永仲), holds a doctor’s degree and is a senior engineer (正高級工程師), and was formerly appointed as a member of the Expert Committee of both the China Internal Combustion Engine Industry Association and the China Electrotechnical Society. He has led numerous national and provincial key R&D projects, including the topic under the National Key R&D Program Project “Prototype Vessel Demonstration of Ultra-Low Emission Control System” and the Guangxi Major Science & Technology Special Project “R&D of High-Efficiency, Energy-Saving, and Environmentally Friendly Marine and Power Generator Diesel Engines”. He spearheaded the development of the world’s first MW-scale methane-fueled power generator set capable of stable operation with coal mine gas concentration as low as 6%, China’s first high-speed, high-power diesel power generator engine with a cylinder bore exceeding 200 mm, as well as China’s first marine diesel engine compliant with IMO’s Tier III emission standards, and

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has led his team to develop more than 20 engine series of marine and power generator engines, including the YC4D, YC16VC and YC12VC series. Over the past five years, as the project principal, Dr. Huang has led five national and provincial-level projects, such as the Guangxi Innovation-Driven Development Special Fund Project “R&D of High-Efficiency, Energy-Saving and Environmentally Friendly Marine and Power Generator Diesel Engines”, the Guangxi Major Science and Technology Special Project “Development and Industrialization of Next-Generation High-Power Power Generator Engines, the topic under the National Key R&D Program “Prototype Vessel Demonstration of Ultra-Low Emission Control System”, the Guangxi Major Science and Technology Project “Research and Industrialization of Key Technologies for Marine Engineering Engines” and the Guangxi SASAC Science and Technology Achievement Transformation Project “Development and Industrialization of High-Efficiency, Intelligent and High-Power Gas Generator Sets”. All these projects have achieved remarkable results.

OUR STRATEGIES

We aim to achieve, as our core objectives, sustainable high-quality business growth and solidify our industry leadership position. For this purpose, we intend to carry out concerted actions around the five strategic directions as set out below. Through the coordinated implementation of a multi-dimensional strategy, we endeavor to continuously enhance our core competitiveness and achieve long-term sustainable development while at the same time creating value for customers.

Deepen penetration in core applications to solidify market leadership

We will seek to focus on core applications of our power generator engines and marine propulsion engines. Leveraging our accumulated technological expertise and extensive, well-defined and highly competitive product portfolio, we aim to further solidify our market strengths by concentrating our efforts on deepening our penetration of and expanding the sales of our engine products in a number of key end-user application markets, including data center backup power, distributed prime power station, infrastructure construction power generation and medium-speed marine engines.

- (1) ***Data center backup power applications.*** We plan to grow the sales of our engine products for backup power applications in the data center industry by focusing on fostering long-term cooperation with top-tier anchor customers. We will seek to work closely with leading internet technology companies and large cloud service providers on their data center projects and aim to establish such projects as industry benchmarks for backup power solutions, thereby further strengthening our brand influence. Also, we intend to obtain internationally recognized product certifications to support our entry into overseas data center backup power application markets (for example, to serve cloud service providers such as those based in Silicon Valley), proactively respond to the market demand for backup solutions driven by global large-scale data center capacity expansion, and gradually expand our market share for high-end data center backup power solutions. In addition, we will focus on addressing the core demand of data center customers for power supply stability by refining our multi-generator set cluster grid-

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connected solution and offering customized OEM solutions to enhance customer stickiness. We will seek to collaborate with OEM partners to jointly develop tailored backup power solutions aligned with end users’ data center capacity expansion needs.

- (2) ***Distributed prime power station applications.*** We will use the core needs of customers in scenarios such as industrial parks, regional energy centers and small-to-medium-sized mining sites as our guide in expanding our market share for our power generator engines in the distributed prime power station application market. We intend to focus on building competitive advantages in high reliability and low operating costs to precisely meet demands of distributed prime power station customers for stable power supply and cost-efficient operations, which we believe will strengthen customer trust and loyalty, thereby enabling us to gradually enhance our penetration in the distributed prime power station market. We will also deepen strategic cooperation with domestic regional energy operators and overseas small- and medium-sized energy enterprises to jointly develop standardized energy solutions tailored for distributed prime power stations, improve the standardized output system for energy solutions, and lower customer cooperation thresholds. In addition, we will seek to build a digital operation and maintenance (O&M) platform to offer customers in the distributed prime power station application market value-added services including real-time energy consumption monitoring and predictive maintenance alerts. As an important step in growing our business in the overseas distributed prime power station application market, we will seek to enhance our service responsiveness while planning overseas regional spare parts hubs, pre-positioning spare parts and technical support resources, thereby reducing service response time and supporting overseas market expansion with our service advantages.
- (3) ***Infrastructure construction power generation applications.*** To capitalize on opportunities in infrastructure and engineering projects, we will seek to build long-term partnerships with leading EPC contractors, local infrastructure construction platforms and engineering project operators. Through participating in key infrastructure projects, we will seek to establish these projects as benchmark cases for infrastructure construction power generation applications to enhance our brand relevance in the infrastructure and engineering sectors. Simultaneously, we will endeavor to expand our customer base among small-to-medium-sized EPC contractors to broaden market coverage. We also intend to optimize product adaptation to meet differentiated customer needs for infrastructure construction power generation applications. For small, mobile power supplies used for construction and engineering applications, we will focus on portability, durability under extreme operating conditions and fast start-stop capabilities, and seek to develop lightweight, long-lasting endurance customized models. For backup power supplies in engineering projects, we will emphasize power supply stability, rapid switching capability and low-noise design to adapt to application scenarios such as hospitals, community service centers and urban emergency facilities. Moreover, we will seek to formulate scenario-specific service solutions in providing after-sales services and support for customers in the infrastructure construction power generation application market. Given the remote distribution of infrastructure construction projects, we will, in

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collaboration with regional partners, establish on-site service stations to provide on-site services including rapid equipment commissioning and emergency troubleshooting. Additionally, we will collaborate with construction equipment OEMs and engineering project integrators to jointly develop integrated power supply solutions, thereby reducing customers’ procurement and adaptation costs.

- (4) ***Medium-speed marine engine applications.*** Our existing product portfolio of marine propulsion engines is primarily centered on high-speed marine engines, and we plan to gradually expand into the medium-speed marine engine segment. We are acutely aware of the growing demand for medium-speed engines in the marine propulsion market and will seek to deepen strategic cooperation with leading shipyards and ocean-going shipowners by providing comprehensive power solutions integrating medium-speed engines and marine propulsion systems. Additionally, we will pursue international classification society certifications for our medium-speed marine propulsion and auxiliary engines, and seek to adapt to the demands of emerging shipbuilding markets such as Asia and South America. In these markets, we intend to rely on local distributor networks to increase market penetration and raise our share in the high-end segment for such engines. We will also strengthen cooperation with overseas shipyards through technical training and after-sales support, and leverage efficient services to support market development for our medium-speed marine engines. Furthermore, for medium-speed marine engines, we will seek to optimize the coordination between mass production and the supply chain to ensure efficient product delivery and support market expansion.

Enrich product portfolio to cover full-scenario power demands

We will focus on power generator engines as our core business pillar while expanding our product offering for marine propulsion and auxiliary engines. For product development, we aim to achieve full coverage of power outputs, fuel diversification and full-scenario customization, and endeavor to build a comprehensive product chain. This we believe will enable us to address the differentiated power solution needs across downstream industries while strengthening the sustainability of our business growth and enhancing our risk resilience.

- (1) ***Focus on the core business of power generator engines, refine product offerings for core scenarios and achieve full coverage of power outputs.*** With respect to our power generator engines, by addressing the core power generation solution needs of end-user applications across different scales, we will seek to deepen penetration in core product application scenarios and pursue full power output coverage, improve the product lineup and enhance product adaptability across various application scenarios, including the three key application scenarios as set forth below.
- For high-end application scenarios such as large-scale data centers and large industrial bases, which demand high power stability, expansion capacity and single-unit power output, we will extend our R&D efforts to higher-power engines, develop products with power outputs exceeding 5,000 kW and strive to enhance the precision of fast-response dynamics. We will also refine the modular design of

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high-power engine series and improve the compatibility of our products to multi-generator set clusters to meet the centralized power supply and continuous high-load operation requirements of end users in data centers and other target downstream industries.

- Given the complex characteristics of medium-to-large oil & gas fields and similar applications, we will endeavor to develop high-efficiency power generator engines with a specific gas consumption rate below 174g/kWh and enhance the maintainability of our power generator engines under extreme environmental conditions such as high temperatures and heavy dust, to meet the energy utilization and long-term durability requirements of these application scenarios.
- For application scenarios including overseas rural infrastructure, small- and medium-sized industrial applications and telecom base stations, we will upgrade existing models with intelligent features and develop more compact medium- to light-duty engines with remote control and maintenance capabilities. We will also strengthen the adaptability of these medium- to light-duty engine series to the specific energy characteristics of different regions to meet distributed power supply needs.

In addition, we will seek to build a portfolio of power generator engines with distinct product tiers, featuring large-duty engines as flagship offerings and medium- to light-duty engines as supporting products. With the synergy resulting from a portfolio of full-power-range products, we will deliver power generation solutions covering both large-scale centralized and small-scale distributed application scenarios, and expand the application scope of our power generator engines.

- (2) ***Improve the product spectrum of our marine propulsion and auxiliary engines to meet the requirements of green transformation in the shipping market.*** We aim to capitalize on the growing premiumization and low-carbon trends in marine engines by supplementing new product categories to our offering to fill market gaps. Building on our product strengths and technological accumulation in the high-speed engine segment, we intend to advance the iteration of medium-speed marine engines for higher-end applications, focusing on adaptability to application scenarios, such as ocean cargo vessels, tugboats and large offshore engineering platforms, where power output and weather resistance requirements are stringent. We will enhance the stability of large-scale production of medium-speed marine engines and further expand the high-end application coverage of our marine engines from high-speed to medium-speed segments. We also plan to build a portfolio of marine propulsion and auxiliary engines covering different vessel types and shipping routes.
- (3) ***Promote the diversification of fuel types and respond to the requirements for low carbon and energy adaptability.*** We will seek to broaden our product offerings by progressively building multi-fuel adaptability and developing power solutions covering conventional, low-carbon and zero-carbon fuels, so as to align with the energy

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characteristics and environmental protection requirements of different application scenarios for engine products. We have invested in building and will continue to upgrade our laboratory testing benches to support the testing of engines powered by fuels other than traditional diesel. For conventional fuels, we will advance product iterations centered on two core focuses: “efficiency improvement and carbon reduction + standard alignment”. On the one hand, we will continuously optimize clean combustion in diesel models through measures such as cylinder head gas passage optimization and precision fuel injection control, to enhance thermal efficiency and reduce fuel consumption and emissions. On the other hand, we will keep abreast of upgrades to applicable emission standards both domestically and overseas to ensure our achieving compliance with relevant China’s standards locally and meeting differentiated international emission requirements across the United States, Europe, Asia and Africa. Meanwhile, we will enhance fuel filtration systems and component corrosion protection technologies to accommodate fuels with special characteristics such as high-sulfur diesel and biodiesel blends in certain overseas regions, thereby adapting to differentiated market demands. For low- and zero-carbon fuels, we will strive to develop clean fuel-adapted engines, focusing on optimizing combustion efficiency, addressing component corrosion and mitigating abnormal wear for new fuels such as natural gas, biodiesel, methanol, hydrogen and ammonia. We will advance the validation and mass production of these engine models while seeking to develop multi-fuel compatible control technology, enabling flexible switching between low-carbon fuels in a single engine model.

Furthermore, Leveraging the comprehensive fuel coverage of our engine products, we aim to reduce dependence on any single fuel, thus enabling us to provide customized power solutions aligned with customers’ energy conditions. We will respond to the environmental policies of relevant countries and the market’s decarbonization demand through continuous technological reserves and product implementation.

- (4) ***Focus on scenario-based product customization and strengthen product adaptability to special requirements.*** We will strive to provide customized power solutions and enhance the alignment of our products with relevant application scenarios. For ultra-large data center backup power applications, we will seek to develop dynamic load distribution algorithms for multi-generator set clusters based on existing grid connection control and achieve intelligent coordinated control with energy storage systems to ensure stability amid high-frequency and large-amplitude load fluctuations. For high-dust and high-cold power generation scenarios, we plan to refine the air filtration system, cold-start performance, load-bearing capacity, and cooling and lubrication system architectures of engine series, enhance corrosion protection and dust-proof modifications for engine components, and make localized adjustments based on local environmental characteristics. For marine applications, focusing on complex ocean conditions such as high salt fog and strong waves, we will endeavor to strengthen the scenario-based application of engine-propeller matching technology and enhance the customized

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adaptability of low-carbon fuel (e.g., methanol and ammonia) engine models across different vessel types and shipping routes to meet customer requirements for low carbon and navigational safety.

Fortify technological R&D to consolidate core technological barriers

We will prioritize achieving core technological breakthroughs and iterations through continuous in-house R&D, resource integration and enhancement of scenario-specific product adaptability to consolidate our technological advantages, thereby safeguarding our core competitiveness and long-term growth potential.

- (1) ***Focus on technological breakthroughs in core areas and tackle key industry challenges:*** We will focus on addressing critical technological bottlenecks to enhance product functionality and scenario-specific adaptability. For high-power power generation, we will continuously advance high-efficiency clean combustion technology by optimizing the synergy of cylinder head gas paths, combustion chambers and fuel injection systems to further improve thermal efficiency. We will strengthen R&D of high-strength lightweight components, focus on achieving technological breakthroughs in structural materials suitable for higher-power series, and enhance the durability of our power generator engines during long-term operation under extreme conditions to better meet the stringent requirements of demanding application scenarios such as large-scale data centers. For low-carbon power generation, we will focus on accelerating the implementation of new fuel technologies, tackling key technologies in combustion efficiency and corrosion control for natural gas, methanol and ammonia, and broadening the fuel adaptability of our intelligent control systems. This we believe will enable precise control of air-fuel ratios and knock suppression for new fuel engines, ensuring their stable operation under harsh conditions and supporting the green energy transition trend. Furthermore, we will upgrade our comprehensive grid-connection control technology for power station generator sets and conduct R&D on dynamic load distribution algorithms for complex loads to enhance synchronization and stability during large-scale capacity expansion of multi-generator set clusters, thereby meeting the continuous power supply demand of large-scale power generation scenarios. Additional, we will strive for high-end breakthroughs in medium-speed marine engine technology, including developing key control technologies for higher-power models and improving the dynamic response performance of medium-speed marine engines under complex ocean conditions (such as high salt fog and strong waves) and heavy-load conditions, to meet the demands of high-end ocean-going vessels and large-scale power station application scenarios.
- (2) ***Focus on scenario-specific adaptability in technological iterations and enhance product competitiveness.*** Guided by customer demands for power generator engines and marine propulsion engines in our target key applications, we will pursue deep integration of R&D and product development. For data center backup power applications, we will focus on advancing intelligent control algorithms to cater to the needs of large-scale data centers for higher-frequency load fluctuations and enhance the transient response

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accuracy of power generator sets. We will also improve the modular design compatibility of power generator sets to meet the rapid networking requirements of multi-generator set clusters during capacity expansion, thereby safeguarding the stability of large-scale power supply systems. For high-end industrial applications such as oil & gas fields and mining, we will strive to expand the adaptability of gas engines to complex gas sources, enhance their weather resistance and maintainability under extreme conditions such as high dust and high altitude, and establish regional operating condition databases and standardized on-site joint testing protocols to ensure high alignment of gas engines with real-world operating environments. We will also seek to drive the green upgrading of marine propulsion engines by adapting universal technologies, such as high-efficiency combustion and intelligent control, to low-carbon fuel marine engine models. We will establish a rapid core technology indicator matching platform across our product lines to increase technology reuse, maximize the value of our technologies, and support the expansion of our marine propulsion engines into high-end low-carbon applications.

- (3) ***Advance R&D system development and strengthen independent R&D capabilities.*** We will strive to upgrade our R&D infrastructure to meet the needs of our core businesses. Building on existing digital design and simulation tools, we plan to introduce simulation modules for zero-carbon fuels such as ammonia and hydrogen to improve modeling accuracy for complex combustion processes and component strength under extreme operating conditions, thereby enhancing R&D efficiency and design success rates. In addition, we will seek to expand the capacity of our testing and validation platform by adding zero-carbon fuel test workstations and enhancing the simulation of extreme environments. Meanwhile, we plan to integrate the testing and validation platform with the data link of our R&D database to enable real-time data uploading and analysis, ensuring close alignment between technical metrics and actual application scenarios. Furthermore, we will strive to optimize the R&D database by supplementing overseas regional operating condition data and metrics for new fuel types, and developing intelligent analytical models to achieve close alignment between R&D needs and data resources. We believe this will improve the effectiveness of data support for new product iterations and performance optimization, and further shorten product and technology development cycles.
- (4) ***Deepen the industry-academia-research institute coordination and integrate global technology resources.*** By collaborating closely with leading technological institutions and universities, we will seek to establish a core technology-oriented cooperation mechanism, integrate internal and external resources, and address key technological challenges in the industry. Internationally, we will collaborate with leading scientific research institutions to conduct joint R&D activities in advanced fields such as combustion control for zero-carbon fuels and equipment corrosion protection. We will adopt advanced methodologies and standards for extreme condition testing to meet the stringent performance requirements of high-end overseas markets. Domestically, we will establish rapid pilot testing and industrialization channels with universities focusing on

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efficient new fuel adaptation and dynamic load regulation in intelligent grid-connection systems. We will also jointly nurture specialized talents in low-carbon power and high-end medium-speed engines to support long-term R&D needs.

Expand production capacity and optimize supply chain to strengthen operational support

We will seek to align with the growth needs of our core businesses and, through targeted capacity expansion, supply chain optimization and enhanced operational synergy, seek to build a stable and efficient production and supply system to support the sustainable growth of our business.

- (1) ***Pursue prudent production capacity expansion to cater to business growth needs.*** We will expand capacity for core products such as large-duty engines and medium-speed marine propulsion engines to cater to anticipated business growth and secure our core product delivery capacity.
- (2) ***Enhance capacity operational efficiency to bolster production flexibility and stability.*** We plan to procure specialized domestic and imported equipment suitable for high-precision machining to further enhance automation in critical production processes, enabling us to cater to the production requirements of high-end engine products such as medium-speed marine propulsion engines and low-carbon/zero-carbon fuel engine models. Meanwhile, we will focus on upgrading our component inspection and testing capabilities under extreme operating conditions. By introducing new dedicated inspection workstations and refining the full-process quality tracing mechanism for components, we will strive to sustainably improve the yield rate of high-end products and ensure quality stability of high-end products post capacity expansion. We will also upgrade our production and sales coordination system by integrating dynamic demand forecasting models for overseas regions, formulating production plans tailored to low-carbon product requirements and the production cycle of high-end customized orders, and connecting production and sales data links. We believe this will enable real-time coordinated adjustments of inventory and production plans, ensuring that our production rhythm aligns with fluctuations in domestic and international orders.
- (3) ***Strengthen supply chain to ensure stable core component supply.*** Leveraging our existing supplier management system, we will focus on refining qualification criteria for high-end key component suppliers, expand the high-quality supplier pool, and enhance multi-supplier backup mechanisms to mitigate procurement risks associated with high-end key components. We will improve our tiered supplier evaluation model to meet the requirements of further business expansion into high-end product segments and our global footprint. We will also deepen technological collaboration with leading suppliers on key components such as crankshafts and accelerate the localization of import-reliant components by supporting domestic suppliers to enhance their technical capabilities. This we believe will strengthen our control over a growing share of core component supply and mitigate the potential impact of external supply volatility on our high-end product production. Furthermore, we will seek to strengthen digital supply chain management by

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integrating data streams with production planning systems to improve risk early warning precision and material allocation efficiency, ensuring the timely and stable supply of materials for production.

Accelerate global footprint expansion and construct an end-to-end global service network

We aim to capitalize on growing global demand and regional market expansion opportunities for power generation solutions through in-depth regional market development, localized operations, comprehensive service upgrades and global brand building, so as to increase market share and customer penetration in overseas markets, expand our global footprint, and enhance our overseas competitiveness and customer service experience.

- (1) ***Continuously expand overseas markets and strengthen synergistic inter-regional cooperation and brand penetration.*** We will adopt a dual-path strategy of “scenario-based promotion + benchmark case dissemination” in Southeast Asia, the Middle East, Europe, Africa and South America. On the one hand, we will actively participate in professional industry exhibitions to showcase locally adapted power generation solutions. On the other hand, we will cooperate with Chinese enterprises on overseas projects to build replicable flagship cases for key application scenarios. Through public outreach activities including speaking at industry forums and releasing regional technical whitepapers, we will highlight the reliability, low-carbon adaptability and domestic substitution advantages of our products to deepen target customers’ perception of our professional brand image. In addition, we will strive to strengthen cooperation with local mainstream OEMs, distributors and end-user customers in overseas markets, and jointly carry out brand promotion activities with partners to leverage their local sales and distribution channels to expand our brand reach overseas. Meanwhile, we will work closely with OEMs and end-user customers to provide customized power generation solutions, thereby enhancing customer recognition and loyalty to our brand in overseas markets.
- (2) ***Build localized operation systems to meet differentiated needs of overseas regional markets.*** We will strive to build localized operational capabilities tailored to different overseas regional markets by establishing local teams with functions including marketing, technical support and brand communication, so as to enhance rapid response capabilities to regional market needs. In addition, by collaborating with local technological institutions and industry associations, we will seek to identify technological trends and changes in government policies in regional markets, refine brand marketing priorities, and align our brand positioning with local market demands to support product iterations and market strategy adjustments, thereby realizing sustainable localized development of our overseas business.
- (3) ***Enhance comprehensive service capabilities to safeguard overseas customer experience.*** By focusing on overseas customers’ core demands for equipment reliability and timely service response, we will strive to establish a service support system across major global markets. We will position service capabilities as a core differentiator in

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market competition by co-establishing service stations with qualified local partners or developing in-house local service teams to strengthen on-site service capabilities. We will also enhance remote technical support capabilities and provide effective customer services such as equipment diagnosis and troubleshooting to strengthen our brand image and customer perception of reliable services. In addition, we will seek to optimize our global components distribution system by configuring regional inventories based on local demand to ensure the timely supply of critical components and guarantee equipment uptime and operational experience for overseas customers.

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We are a leading power generation solution provider and also a leading marine engine provider in China. We design, develop, manufacture and sell power generator engines, marine engines, power generator sets and engine components, serving a wide array of markets across the economy, including data center, distributed power station, infrastructure construction, telecommunications, healthcare, mining, agriculture, oil & gas and vessel transportation and operation sectors. We are highly focused on technology innovation and developing products with outstanding performance, high reliability and sustained cost advantages.

We procure engine components from trusted and selected suppliers to ensure the quality and stability of components. We produce our engines and power generator sets in-house, and source engines and power generator sets from specialized and qualified suppliers to meet robust market demands. Leveraging our experience and insight in the engine and power generator set industries, we establish relationships with OEMs and other customers worldwide. We primarily conduct our business in China and maintain overseas sales teams for sales of our products to Europe, Middle East, Africa, Asia and South America. We serve our customers through our in-house service teams as well as our extensive network of authorized service stations.

PRODUCTS AND SERVICES

We primarily offer “Yuchai” branded products. Capitalizing on our long-standing experience in developing and producing diesel engines in China, we have gained recognition among OEMs, distributors and end users and assembled a comprehensive, highly competitive product portfolio with diversified offerings. We also provide **mtu** branded products produced by MTU Yuchai.

Our product portfolio primarily encompasses power generator engines and marine propulsion and auxiliary engines. Our power generator engines can be categorized into (i) large engines with rated power of more than 1,500 kW, including both self-produced “Yuchai” branded engines and **mtu** branded engines sourced from MTU Yuchai; (ii) heavy-duty engines with rated power between 500 kW and 1,500 kW (both inclusive), including both self-produced engines and engines primarily sourced from the GY Entities; and (iii) medium- to light-duty engines with rated power of less than 500 kW, including both self-produced engines and engines primarily sourced from GY Entities and the GYMCL Related Parties. Our marine propulsion and auxiliary engines include both self-produced engines and engines primarily sourced from GY Entities and the GYMCL Related Parties. As of September 30, 2025, we offered 28 series of power generator engines and 22 series of marine propulsion and auxiliary engines to the market.

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We also offer self-produced and externally sourced power generator sets. In addition, on a small scale, we supply engine components and provide certain engine-related services.

Self-produced engines or power generator sets are engines or power generator sets produced by us in-house. Engines and power generator sets are treated as self-produced even if we outsourced certain discrete production steps to qualified contractors, provided that we were responsible for the production plan, technical specifications, quality standards and release for shipment, and the engines or power generator sets were not procured as finished engines or power generator sets from suppliers. Externally sourced engines or power generator sets are finished engines or power generator sets procured by us from our suppliers, primarily GY Entities, the GYMCL Related Parties, MTU Yuchai and OEMs, for sales to our customers. See “Business — Products and Services” in this document for details.

The table below sets forth a breakdown of our revenue by product category for the years/ periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)		(unaudited)	
Power generator engines	2,457,201	75.8	3,052,467	76.4	2,322,595	78.3	3,435,024	69.1
Large engines	853,339	26.4	1,374,107	34.5	1,036,152	35.0	1,932,204	38.9
Self-produced	652,701	20.2	1,114,903	28.0	824,763	27.9	1,641,729	33.1
Externally sourced	200,638	6.2	259,204	6.5	211,389	7.1	290,475	5.8
Heavy-duty engines	943,006	29.0	864,381	21.6	673,430	22.7	692,667	13.9
Self-produced	933,861	28.7	829,245	20.7	646,222	21.8	660,751	13.3
Externally sourced	9,145	0.3	35,136	0.9	27,208	0.9	31,916	0.6
Medium- to light-duty engines	660,856	20.4	813,979	20.3	613,013	20.6	810,153	16.3
Self-produced	200,247	6.2	317,360	7.9	244,338	8.2	348,058	7.0
Externally sourced	460,609	14.2	496,619	12.4	368,675	12.4	462,095	9.3
Marine propulsion and auxiliary engines	481,183	14.9	476,999	11.9	369,048	12.4	477,014	9.6
Self-produced	397,149	12.3	408,596	10.2	314,807	10.6	410,856	8.3
Externally sourced	84,034	2.6	68,403	1.7	54,241	1.8	66,158	1.3
Power generator sets	114,769	3.6	113,234	2.8	60,881	2.0	335,628	6.8
Self-produced	18,752	0.6	16,697	0.4	18,020	0.6	213,270	4.3
Externally sourced	96,017	3.0	96,537	2.4	42,861	1.4	122,358	2.5
Engine components and others	185,855	5.7	357,096	8.9	215,347	7.3	719,533	14.5
Total	3,239,008	100.0	3,999,796	100.0	2,967,871	100.0	4,967,199	100.0

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The table below sets forth the engine and power generation set units sold by product category for the years/periods indicated.

	Year Ended December 31,		Nine Months Ended September 30,	
	2023	2024	2024	2025
	(unit)			
Power Generator Engines	35,601	43,225	32,255	44,226
Large engines	977	1,394	1,069	1,821
Self-produced	828	1,219	928	1,623
Externally sourced	149	175	141	198
Heavy-duty engines	5,023	4,756	3,692	4,388
Self-produced	4,941	4,437	3,440	4,116
Externally sourced	82	319	252	272
Medium- to light-duty engines	29,601	37,075	27,494	38,017
Self-produced	5,501	7,598	5,810	8,948
Externally sourced	24,100	29,477	21,684	29,069
Marine Propulsion and Auxiliary				
Engines	4,911	4,282	3,412	4,021
Self-produced	2,144	2,090	1,616	1,910
Externally sourced	2,767	2,192	1,796	2,111
Power Generator Sets	170	1,448	789	1,732
Self-produced	39	14	13	109
Externally sourced	131	1,434	776	1,623
Total	<u>40,682</u>	<u>48,955</u>	<u>36,456</u>	<u>49,979</u>

During the Track Record Period, we generated a majority of our revenue from sales of self-produced engines, while a majority of the engine units we sold were externally sourced medium- to light-duty engines and marine engines, which were mainly procured from GY Entities and the GYMCL Related Parties. Compared with the higher-power engines we produced in-house, such externally sourced engines generally had lower selling prices and gross margins and contributed a much smaller portion of our revenue during the Track Record Period. We procured such engines to complement our higher-power product offerings with other engine products to provide customers with a comprehensive product portfolio with broad power-output coverage, to address existing market demand, and to strengthen our market position, while concentrate our internal resources and capacity on developing and producing higher-power engines with generally higher margins. See “Transactions with the Related Parties — Reasons for Sourcing Finished Engines from the Related Parties” in this section for details.

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Power Generator Engines

As of the Latest Practicable Date, our power generator engines, including large engines, heavy-duty engines and medium- to light-duty engines, covered a broad power output range from 5 to 4,200 kW. Such engines, when integrated into power generator sets, serve as either prime or backup power across a wide range of applications, including but not limited to data centers, distributed power stations, infrastructure, infrastructure construction, high-end manufacturing, mining, oil & gas exploration, telecom base stations, public safety and emergency response, etc. Certain series of our diesel power generator engines achieve a minimum fuel consumption rate of 189 g/kWh or less, outperforming the industry average, according to Frost & Sullivan.

The table below sets forth the rated power of, primary applications for and major series of our large engines, heavy-duty engines and medium- to light-duty engines:

	<u>Rated Power</u>	<u>Primary Applications</u>	<u>Major Series</u>
Large engines	> 1,500 kW	Data centers, distributed power stations, financial institutions, high-end manufacturing, mining, oil & gas exploration, etc.	YC16VC, YC12VC, YC20VTD and YC16VTD
Heavy-duty engines	500–1,500 kW (both inclusive)	Infrastructure, infrastructure construction, property development, animal husbandry, etc.	YC6TF, YC6TH and YC6TD
Medium- to light-duty engines	< 500 kW	Telecom base stations, infrastructure, public safety and emergency response (such as firefighting, disaster relief and water conservancy), etc.	YC6MJ, YC6MK, YC6A and YC4D

Large engines

Our large engines feature high power output, high reliability, robust transient response and high environmental adaptability, with performance indicators reaching industry-leading levels, making them highly suitable for applications in data centers and distributed power stations. Adopting our proven EUP and HPCR technologies, a number of our power generator engines, including YC16VC, YC20VTD and YC16VTD series, can withstand sudden load increase from 0% to 100% without engine shut-off, reaching industry-leading levels, according to Frost & Sullivan.

During the Track Record Period, in addition to selling our self-produced “Yuchai” branded large engines, we also procured from MTU Yuchai *mtu* branded large engines, which are produced by MTU Yuchai. See “Transactions with the Related Parties — Transactions with MTU Yuchai” in this section for details.

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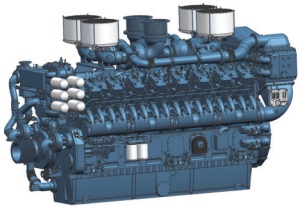
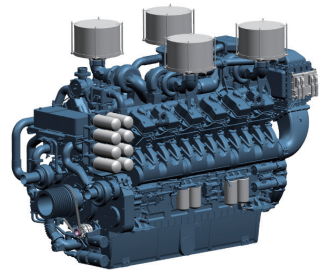
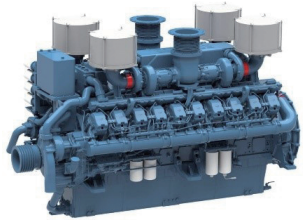
Primary applications of our large engines include data centers, distributed power stations, financial institutions, high-end manufacturing, mining and oil & gas exploration, etc. Among such applications, we had, during the Track Record Period, focused on and intend to continue to focus on data centers and distributed power stations.

- **Data centers:** Our large engines have been widely deployed in backup power systems for data centers. Data centers, which provide mass data storage, processing and interaction services, require rapid transition to stable power supply during main grid outages in order to manage and safeguard vast amounts of data. In particular, AI data centers require significantly higher and more stable power to support specialized hardware and ensure uninterrupted training and inference operations. Due to the nature of continuous and uninterrupted operation, data centers require secure and robust backup power generation system in the event of a power failure. Our large engines are able to address the sophisticated needs of data centers, particularly AI data centers, for large-capacity, high-performance and highly reliable backup power generation systems with robust transient response and provide robust protections against the power outages and shortages that can lead to network failures and service interruptions. Our YC16VC, YC12VC, YC20VTD and YC16VTD series power generator engines satisfy the stringent requirements of the data center industry. In particular, our YC16VC series has been widely used in data centers operated by leading internet technology companies and telecommunications operators in the PRC.
- **Distributed power stations:** Our large engines also provide prime power in distributed power stations. Distributed power stations are localized power generation facilities that supply power close to the point of consumption, such as industrial parks, regional energy centers and mining sites. Therefore, distributed power stations require power generation systems to have high reliability, excellent fuel efficiency and low lifetime operating costs. Leveraging our high-speed large-bore engine design, clean combustion and turbocharging technologies, our large engines feature high reliability, high efficiency and robust transient response in prime power output. Power generator sets integrated with our large engines, such as YC16VC, YC12VC and YC16VTD series, are widely deployed in distributed power stations in overseas regions including Northern Europe, the Middle East, Asia, Central Asia and Africa.

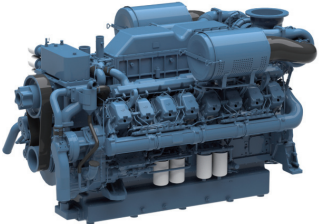
During the Track Record Period, the price range of large engines we offered was generally between RMB780,300 and RMB3,047,000.

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The table below sets forth the key specifications of major series of large engines we offer:

Major Series	Key Specifications	
YC16VC 	Application: Fuel type: Displacement: Number of cylinder: Structural layout: Cylinder bore: Stroke: Power range: Speed:	Supplied as power generator engines Diesel and gas 105.6 L 16 V-type 200 mm 210 mm 2,206–3,608 kW 1,500 r/min
YC12VC 	Application: Fuel type: Displacement: Number of cylinder: Structural layout: Cylinder bore: Stroke: Power range: Speed:	Supplied as power generator engines Diesel and gas 79.2 L 12 V-type 200 mm 210 mm 1,520–2,206 kW 1,500 r/min
YC20VTD 	Application: Fuel type: Displacement: Number of cylinder: Structural layout: Cylinder bore: Stroke: Power range: Speed:	Supplied as power generator engines Diesel 65.3 L 20 V-type 152 mm 180 mm 2,206–2,426 kW 1,500 r/min (for 50 Hz power generator sets); 1,800 r/min (for 60 Hz power generator sets)

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Major Series	Key Specifications	
YC16VTD	Application:	Supplied as power generator engines
	Fuel type:	Diesel and gas
	Displacement:	52.3 L
	Number of cylinder:	16
	Structural layout:	V-type
	Cylinder bore:	152 mm
	Stroke:	180 mm
	Power range:	1,672–1,985 kW
	Speed:	1,500 r/min (for 50 Hz power generator sets); 1,800 r/min (for 60 Hz power generator sets)

Heavy-duty engines

Our heavy-duty engines feature high power density, compact structure and low weight. Our heavy-duty engines achieve industry-leading performance in terms of power output, fuel economy, emissions and noise, vibration and harshness (NVH).

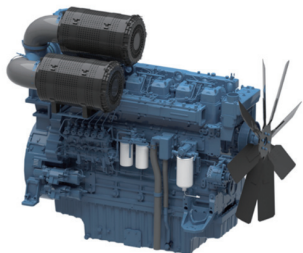
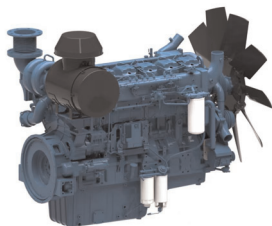
During the Track Record Period, in addition to selling our self-produced heavy-duty engines, we also procured heavy-duty engines, primarily from GY Entities, for sales to our customers. See “Transactions with the Related Parties — Transactions with GY Entities” in this section for details.

Primary applications of our heavy-duty engines include infrastructure, infrastructure construction, property development, animal husbandry, etc. In particular, our heavy-duty engines can be used in providing backup and emergency power in the infrastructure and infrastructure construction sectors which require engines to deliver stable power supply in extreme outdoor conditions (such as heat, cold, humidity and dust) with low fuel consumption and low maintenance costs. Our heavy-duty engines meet these requirements via robust structural designs, clean combustion technology and adaptive features for outdoor environments.

During the Track Record Period, the price range of heavy-duty engines we offered was generally between RMB105,000 and RMB950,000.

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The table below sets forth the key specifications of major series of heavy-duty engines we offer:

Major Series	Key Specifications	
YC6TF 	Application: Fuel type: Displacement: Number of cylinder: Structural layout: Cylinder bore: Stroke: Power range: Speed:	Supplied as power generator engines engines Diesel and gas 31.8 L 6 In-line type 175 mm 220 mm 1,118–1,221 kW 1,500 r/min
YC6TH 	Application: Fuel type: Displacement: Number of cylinder: Structural layout: Cylinder bore: Stroke: Power range: Speed:	Supplied as power generator engines Diesel 28.2 L 6 In-line type 175 mm 195 mm 787–990 kW 1,500 r/min (for 50 Hz power generator sets); 1,800 r/min (for 60 Hz power generator sets)
YC6TD 	Application: Fuel type: Displacement: Number of cylinder: Structural layout: Cylinder bore: Stroke: Power range: Speed:	Supplied as power generator engines Diesel and gas 19.6 L 6 In-line type 152 mm 180 mm 572–815 kW 1,500 r/min (for 50 Hz power generator sets); 1,800 r/min (for 60 Hz power generator sets)

BUSINESS

Medium- to light-duty engines

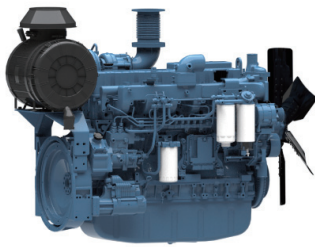
Our medium- to light-duty engines feature a wide range of specific power outputs and speeds, strong adaptability to various applications and low maintenance and operating costs. Such engines have low emissions and, combined with advanced exhaust treatment technologies, are more capable of complying with stringent domestic and international emission regulations. In addition, such engines are generally proven and standardized series and are well suited for the integrated design and development of multi-fuel configurations.

During the Track Record Period, in addition to selling our self-produced medium- to light-duty engines, we procured most of our medium- to light-duty engines, primarily from GY Entities and the GYMCL Related Parties, for sales to our customers. See “Transactions with the Related Parties — Transactions with GY Entities” and “Transactions with the Related Parties — Transactions with the GYMCL Related Parties” in this section for details.

Primary applications of our medium- to light-duty engines include telecom base stations, infrastructure, public safety and emergency response (such as firefighting, disaster relief and water conservancy), etc. These applications demand rapid start-up, robust transient response, high reliability in harsh or remote environments, and low lifetime operating costs under stringent emissions constraints. Our medium- to light-duty engines meet these requirements with versatile operating ranges across loads and speeds, low emissions, robust cold-start and vibration tolerance, and long service intervals compatible with remote, unmanned operation.

During the Track Record Period, the price range of medium- to light-duty engines we offered was generally between RMB8,950 and RMB135,000.

The table below sets forth the key specifications of major series of medium- to light-duty engines we offer:

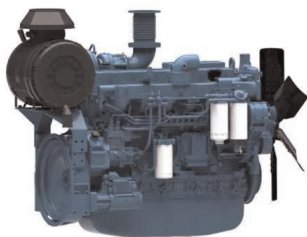
Major Series	Key Specifications	
YC6MJ 	Application:	Supplied as power generator engines
	Fuel type:	Diesel
	Displacement:	11.73 L
	Number of cylinder:	6
	Structural layout:	In-line type
	Cylinder bore:	131 mm
	Stroke:	145 mm
	Power range:	367–485 kW
	Speed:	1,500 r/min

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Major Series

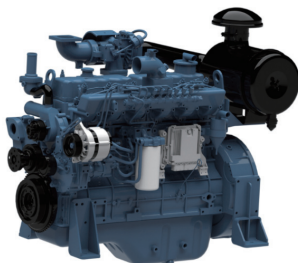
Key Specifications

YC6MK



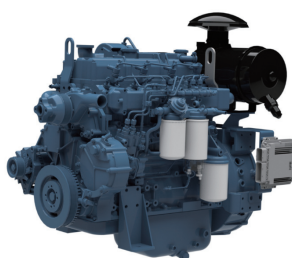
Application:	Supplied as power generator engines
Fuel type:	Diesel and gas
Displacement:	10.34 L
Number of cylinder:	6
Structural layout:	In-line type
Cylinder bore:	123 mm
Stroke:	145 mm
Power range:	259–369 kW
Speed:	1,500 r/min (for 50 Hz power generator sets); 1,800 r/min (for 60 Hz power generator sets)

YC6A



Application:	Supplied as power generator engines
Fuel type:	Diesel
Displacement:	7.25 L
Number of cylinder:	6
Structural layout:	In-line type
Cylinder bore:	108 mm
Stroke:	132 mm
Power range:	152–223 kW
Speed:	1,500 r/min (for 50 Hz power generation); 1,800 r/min (for 60 Hz power generation)

YC4D



Application:	Supplied as power generator engines
Fuel type:	Diesel and gas
Displacement:	4.21 L
Number of cylinder:	4
Structural layout:	In-line type
Cylinder bore:	108 mm
Stroke:	115 mm
Power range:	59–132 kW
Speed:	1,500 r/min (for 50 Hz power generator sets); 1,800 r/min (for 60 Hz power generator sets)

BUSINESS

The vast majority of our power generator engine models are diesel-fueled. Our diesel engines feature high reliability, high responsiveness, low fuel consumption, high power density and lightweight design:

- **High reliability.** Built on years of technological accumulation and innovation, our high-reliability design enables consistent performance in power generation applications and reduces maintenance and operating costs. Many series of our power generator engines, such as YC16VC, YC12VC, YC20VTD and YC16VTD series, have passed bench reliability tests of at least 2,000 hours, exceeding the industry average, according to Frost & Sullivan, and evidencing design robustness and reliability beyond typical thresholds. Our engines are designed for an overhaul period (being the scheduled maintenance interval during the engine’s life cycle to improve its performance) ranging from 20,000 to 60,000 cumulative operating hours, reaching an industry leading level, according to Frost & Sullivan.
- **High responsiveness.** Our diesel engines offer robust transient response to sudden load changes, making them well-suited for data centers which impose stringent requirements on load capability of power generator sets. Adopting our proven electronic fuel injection technology, a typical 2 MW power generator set integrated with our YC16VC series power generator engine can achieve a maximum transient load acceptance of 77% while meeting the G3-class requirements. By comparison, comparable power generator engines of the same power output generally achieve about 60% to 65% maximum transient load acceptance, according to Frost & Sullivan.
- **Low fuel consumption.** By applying our proprietary and pioneering obliquely-mounted EUP system, designed specifically for high-speed, high-power power generator and marine diesel engines, we have achieved technical breakthroughs in high-efficiency and clean combustion. Certain series of our diesel power generator engines can achieve a minimum fuel consumption rate of 189 g/kWh or less, outperforming the industry average. Across the industry, the fuel consumption rate of power generator engines generally ranges between 190 and 250 g/kWh, varying by brand, model, specifications, etc., according to Frost & Sullivan. Lower fuel consumption reduces fuel costs and lowers the operational cost for power plants.
- **High power density.** Through our innovative high-strength structural design, we have achieved major breakthroughs in the structural design for high-speed, high-power power generator diesel engines. A number of our power generator diesel engines can achieve a brake mean effective pressure (BMEP) of above 3.3 MPa. High power density reduces the sizes of the power generator sets and thus requires smaller storage spaces and, in turn, lowers construction costs of facilities.

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- **Lightweight design.** By applying our proprietary core technologies, we have achieved lightweight design of our major engine components. Coupled with our unique “small cylinder center distance” design, a number of our power generator diesel engines can achieve a power-to-weight ratio exceeding 0.4 kW/kg. Such lightweight design lowers the transportation and installation costs for our engines.

We have also developed and manufactured a portfolio of gas-fueled engines to complement our existing suite of diesel engines. Our gas engines are generally constructed using similar structure and major components as our major series of diesel engines, including the YC16VC, YC16VTD, YC6TF and YC6TD series, but utilize gaseous fuels, including natural gas, petroleum associated gas, coalbed gas, industrial tail gas and biogas, and LNG for combustion to produce energy. Our gas engines have made breakthroughs in high power-density, lightweight, integrated and series-based engine design, high-efficiency lean-burn combustion, low-emission control and intelligent control, delivering lower fuel consumption rate and lower emissions.

As of the Latest Practicable Date, most of our diesel-fueled power generator engines complied with China’s Non-Road Stage III emission standards, among which four series complied with China’s Non-Road Stage IV emission standards and two models complied with EU’s Stage V emission standards. There are currently no emission standards applicable to gas-fueled power generator engines in China.

Marine Propulsion and Auxiliary Engines

Our marine propulsion and auxiliary engines, or marine engines, are engines primarily installed on or equipping fishing, cargo, passenger, engineering and other vessels operating in inland waterways and coastal waters. Our marine engines primarily include marine propulsion engines, which serve as main engines providing primary propulsion power for vessels. Our marine engines also include auxiliary engines used in ship-service generator sets that supply electrical power for onboard systems apart from the propulsion system, and emergency auxiliary engines powering independent emergency generators to support essential safety and control loads in the event of a loss of main or auxiliary power. As of the Latest Practicable Date, our marine engines had rated power ranging from 30 kW to 2,940 kW. Through our systematic and modular design approach, most critical components of an engine, including the cylinder block, cylinder head and crankshaft, can be engineered for use in both power generation and marine applications. As such, some of our engine series are configured for both power generation and marine applications. We have also developed and manufactured gas-fueled marine engines.

Historically, we mainly focused on producing high-speed marine propulsion and auxiliary engines for fishing, cargo, passenger, engineering and other vessels operating in inland waterways and coastal waters. We intend to expand our efforts on the production of medium-speed marine propulsion and auxiliary engines for such vessels.

During the Track Record Period, in addition to selling our self-produced marine propulsion and auxiliary engines, we also procured marine propulsion and auxiliary engines, primarily from GY Entities and the GYMCL Related Parties, for sales to our customers. See “Transactions with the Related Parties — Transactions with GY Entities” and “Transactions with the Related Parties

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— Transactions with the GYMCL Related Parties” in this section for details. During the Track Record Period, the price range of marine engines we offered was generally between RMB11,800 and RMB2,330,000.

As of the Latest Practicable Date, all of our marine propulsion and auxiliary engines, whether diesel-fueled or gas-fueled, complied with both IMO’s Tier II emission standards and China’s Stage II marine emission standards, among which three series also complied with IMO’s Tier III emission standards.

Power Generator Sets

In addition to offering power generator engines as standalone units, for customers seeking a complete solution, we also offer custom-assembled power generator sets. Power generator sets we sold were primarily built around engine we offered and integrated externally sourced alternators and a full suite of other components such as the cooling, control and intake and exhaust systems. During the Track Record Period, we assembled only a small portion of power generator sets in-house and sourced most power generator sets from qualified third-party OEMs who purchased power generator engines from us and integrated such engines into power generator sets pursuant to our specifications and requirements. We primarily purchased the finished power generator sets from such OEMs upon receipt of confirmed orders from our customers, and sold such power generator sets under our brand to our customers pursuant to their purchase orders to or contracts with us. From time to time, we also purchased certain power generator sets for inventory in anticipation of customer demand. In limited instances, we also sold power generator sets integrated with engines not produced or sold by us. During the Track Record Period, the price range of power generator sets we offered was generally between RMB1,650 and RMB4,042,339.

Engine Components and Others

We also sell certain engine components we produced, primarily including (i) sales of engine components, primarily cylinder blocks and cylinder heads, to MTU Yuchai (see “Joint Venture with Rolls-Royce” in this section for further details), and (ii) sales of engine components to the GYMCL Related Parties as our distributors for further distribution to our chain of authorized service stations to provide after-sales services for our customers and other end users. The availability of such components to our customers and to end users through our chain of authorized service stations is an important part of our customer service program.

During the Track Record Period, we also provided certain services related to the development and production of engines, primarily including (i) the engine component machining services we provided to MTU Yuchai, and (ii) repairing, replacing or otherwise remediating defects in components our suppliers supplied to us for which we charged suppliers repair service fees.

Product Life Cycle

The product life cycle of our engine products is affected by the pace of technological development and the launch of new products by our competitors. Our power generator engines and marine propulsion and auxiliary engines generally have a designed product life cycle ranging from

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20 to 25 years. Our power generator engines generally have an overhaul period (being the scheduled maintenance interval during the engine’s life cycle to improve its performance) ranging from 20,000 to 60,000 cumulative operating hours, while our marine propulsion and auxiliary engines generally have an overhaul period ranging from 20,000 to 30,000 cumulative operating hours.

RESEARCH AND DEVELOPMENT

R&D are critical to our business and continued success. We have invested significant resources to continually improve our technologies, enhance the performance, functionality and reliability of our products and design and develop new products.

R&D Capabilities

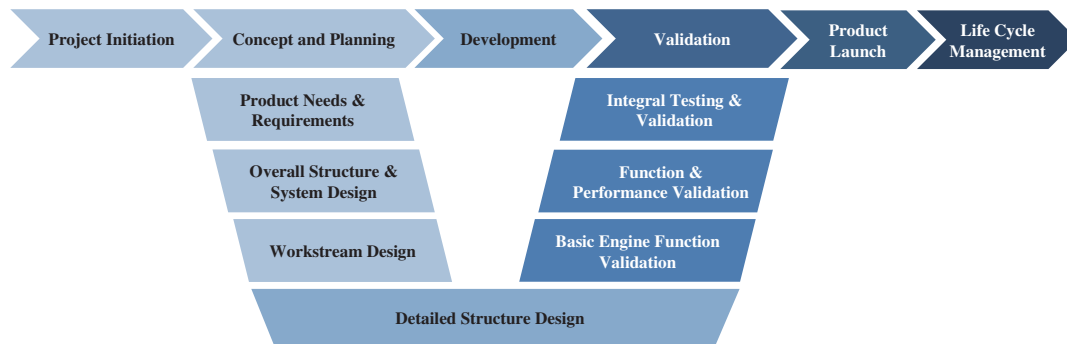
We conduct R&D activities primarily in our dedicated center, adjacent to our production facilities, in Yulin City of Guangxi Zhuang Autonomous Region of China. As of September 30, 2025, our R&D team consisted of 173 engineers and technicians, 36 of whom held a master’s or more advanced degree. Most of our R&D personnel have extensive experience in the designing, engineering and production of engines and power generator sets. Our R&D team is led by Dr. Huang, our chief technology officer, who is a senior engineer (正高級工程師), a former member of the Expert Committee of both the China Internal Combustion Engine Industry Association and the China Electrotechnical Society, and a recipient of the Inaugural Award for Excellence in Innovation of Guangxi Zhuang Autonomous Region in 2018. We organize our R&D team into various groups, each has its respective focused area, including, among others, overall engine design, performance development, mechanical development, application development, as well as powertrain system development, and coordinate closely with each other in planning and executing their R&D projects. With the continuous efforts of our R&D team, we have been able to capitalize on our extensive experience and expertise in the design, engineering and innovation of high-performance engines, and maintain a leading position at the forefront of our industry.

Our R&D team and individual team members have received various prestigious awards and recognitions for their achievements, including, among others, the “2020 China Patent Excellence Award” which is jointly established by the China National Intellectual Property Administration (CNIPA), the Second Prize for the “2018 China Mechanical Industry Science and Technology Award”, which is a comprehensive national award for the PRC mechanical industry and jointly established by the China Machinery Industry Federation and China Mechanical Engineering Society with the approval of the Ministry of Science and Technology of the PRC, and the First Prize for the “2024 Guangxi Scientific and Technological Progress Award” and the First Prize for the “2020 Guangxi Science and Technology (the Category of Technological Innovations) Award”, both of which are established by the People’s Government of Guangxi Zhuang Autonomous Region.

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R&D Process

Our entire design and R&D process follows the “V-model”, which integrates rigorous design and validation procedures throughout the process. Centered on end-customer needs and application scenarios, we conduct targeted design and development, proactively lock in verification criteria, and ensure each design phase is traceable and verifiable. This methodology is divided into two primary parallel workstreams, i.e., design and development (the left arm) and testing and validation (the right arm), to ensure that every product requirement is systematically implemented and verified.



We conduct systematic market and product research to understand evolving customer needs, application scenarios and regulatory trends. These insights guide our product positioning and development roadmap and form the basis for initiating our R&D projects.

Following project initiation, our pre-launch process comprises three stages, i.e., concept and planning, development and validation.

- Concept and Planning Stage:** At the concept stage, we analyze customer and product requirements and identify the key technologies, target specifications as well as the critical engine components. In planning stage, our engineering and technical teams work together to define the overall engine structure and system design for the engine, decompose the product needs and requirements into different workstreams and determine the overall product specifications. We then carry out high-level designs for each workstream, align and allocate resources and refine the business plan.
- Development Stage:** At the development stage, our engineers translate high-level requirements into detailed specifications and complete the engine’s detailed structure and systems design.
- Validation Stage:** At the validation stage, we begin with basic engine function validation to confirm that the assembled engine achieves key operating metrics. We then perform function and performance validation and integral validation, assessing parameters such as power output, torque, fuel consumption and emissions against the product specifications and technical targets established at the concept and planning stage, thereby preparing the product for launch.

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During the abovementioned process, we establish structured technical review checkpoints and decision checkpoints at defined milestones to verify deliverables, mitigate technical risks and authorize progression to subsequent steps or phases or take corrective actions as required.

After the product is launched and introduced to the market, we will continue to collect operational data and feedback to support continuous improvements throughout the product to ensure long-term reliability and competitiveness of our products.

R&D Strategies

As part of our overall R&D strategies, we plan and undertake our R&D initiatives and activities with a keen focus on market demands, modularized design, experimental testing and life cycle management in respect of new products or product upgrades so as to ensure rapid time to market for and assured delivery of such products. The key elements of our R&D strategies include:

- (1) ***Market-Driven and Forward-Looking Research and Development:*** As an initial step for any R&D project, we conduct extensive market research and analysis to ensure that our products can fulfill customer requirements and expectations and support commercial viability. Our dedicated research team tracks industry technology trends, monitor new technologies, methods, materials and regulatory policies, as well as assess their potential impact. Our technology research and development efforts extend beyond our current focus on data center power solutions and diesel marine engines to mitigate the risks associated with reliance on any single technological pathway.
- (2) ***Modularized Design and Close Coordination with Supply Chain:*** For any R&D project, we endeavor to secure supply of components and delivery of pre-made components from our preferred suppliers. Through such efforts, we have adopted modularized design to improve the efficiency of our R&D projects.
- (3) ***Experiment-Driven and Strong Focus on Product Upgrade:*** We place great emphasis on comprehensive testing of protocol engines, including performance calibration, emission and reliability, in respect of each relevant R&D project. We monitor the performance of new or upgraded products after production for continued product updates and improvements.
- (4) ***Small-Scale Pilot Production and Speedy Validation:*** We conduct small-scale pilot production to validate the prototypes. We aim to achieve speedy verifications of product upgrades through the process of transforming relevant prototypes to small-scale product production.
- (5) ***Full Life Cycle Product Management:*** We adopt the full life cycle product management approach towards a new product. Our related R&D efforts extend throughout the entire process covering initial concept, design, development, prototyping, launch and after-sales servicing.

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We closely monitor and keep track of the important development trends of the sectors in which we operate as well as the downstream industries we serve, and endeavor to keep abreast of new technologies, methods and materials and their potential impacts on the relevant industries. We also closely cooperate with relevant downstream industry end users in designing and developing advanced engines for such end users so that we can gain an in-depth understanding of their technological standards and requirements, reduce our exposure to potential risks associated with new product development and improve the compatibility of such new products with the intended applications of such end users. We use cutting-edge R&D tools and methods, including 3D modeling, computer-aided simulation analysis and full-parameter forward simulation design, to achieve efficient and precise design. We have also established a comprehensive trial-operation mechanism to ensure our R&D accuracy, new-product development efficiency and rapid response to market demands.

In addition, we have collaborated, and will continue to collaborate, with international engine design and research firms and institutions, including, among others, FEV Group GmbH of Germany, HERON Technik GmbH and Brunel University of London in the United Kingdom, and domestic higher education institutions in the PRC, including, among others, Tsinghua University, Shanghai Jiao Tong University, Huazhong University of Science and Technology, Tianjin University and Wuhan University of Technology, in order to achieve breakthroughs in technologies for internal combustion engine, accelerate the applications of jointly-developed technologies and enhance our capability in the independent development of internal combustion engine and the commercialization of technological innovations. Under our cooperation agreements with such firms and institutions, intellectual property arising from such collaboration is typically owned exclusively by us.

We have successfully developed a number of core technologies, such as (i) the high-strength, lightweight design technology, (ii) the high-efficiency, clean combustion technology, (iii) the intelligent control technology, (iv) the integrated grid-connection control technology for power-station generator-set clusters, and (v) the marine propulsion system technology. We continue to advance internal combustion engine related technologies, including the following:

- High peak firing pressure technology (高爆壓技術): High peak firing pressure technology focuses on designing engines to safely withstand high combustion burst pressure. The technical difficulties of high peak firing pressure are that it will substantially increase the mechanical load and thermal load of the engine and places significantly greater demands on the strength and heat dissipation capability of critical engine components such as the cylinder block, cylinder head, crankshaft, pistons and connecting rods. Our ongoing work centers on structural design enhancement, material selection and manufacturing processes intended to reliably withstand higher peak firing pressures and the associated stresses.
- HPCR technology: HPCR technology is a fuel injection system where the injection pressure is not limited by the engine speed. The system consists primarily of a low-pressure fuel transfer pump, high-pressure fuel pump, high pressure common rail, high-pressure fuel lines, injectors and an ECU. Under the system, the fuel is maintained under

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high pressure inside a common rail, and an ECU is used to independently control the key injection parameters, including injection timing, duration, pressure and number of injections, reducing fuel consumption and emissions, and lowering the operating noise and vibration level of the engine. We are further developing HPCR fuel injection systems, advancing toward ultra-high injection pressures (exceeding 2,500 bar) in line with industry trends.

- Efficient turbocharging technology (高效增壓技術): The core of turbocharging technology is to compress intake air to increase the air density in the cylinders, enabling more complete combustion of fuel, thereby boosting power output and reducing fuel consumption. Through the development and application of efficient turbocharging technologies — such as sequential turbocharging and two-stage turbocharging — we can significantly increase the amount of air taken into the cylinders. Our efforts to continue improving such technology target the high airflow demands of heavy-duty, high-speed, electronically controlled diesel engines, with the objective of delivering strong starting performance, high torque, robust load capability and overall reliability across a broad range of industry applications.
- Spark plug pre-chamber ignition technology (火花塞預燃室技術): The spark-plug pre-chamber ignition technology is a key ignition technology for gas engines that improves thermal efficiency and emission levels. Its core lies in adding a miniature pre-chamber above the engine’s main combustion chamber, with the spark plug installed inside this pre-chamber. It adopts a two-chamber combustion logic: first igniting the air-fuel mixture in the pre-chamber, then using the flame jets to ignite the air-fuel mixture in the main combustion chamber. This technology provides superior control over the ignition of the fuel-air mixture compared to conventional spark plugs, enabling faster and more stable combustion. This technology is recognized as one of the most promising technical routes for future gas engines. We are applying and refining it in gas-fueled generator engine series and selected marine engine series.
- Intelligent control technology (智能控制技術): We have developed and are enhancing a full-functional high-power ECU featuring integrated hardware and software. This ECU is capable of adapting to a wide variety of gaseous fuels and incorporates intelligent air-fuel ratio and knock control functions. It ensures stable and reliable engine operation even under complex and variable gas-quality conditions, making it particularly suitable for demanding industrial applications.

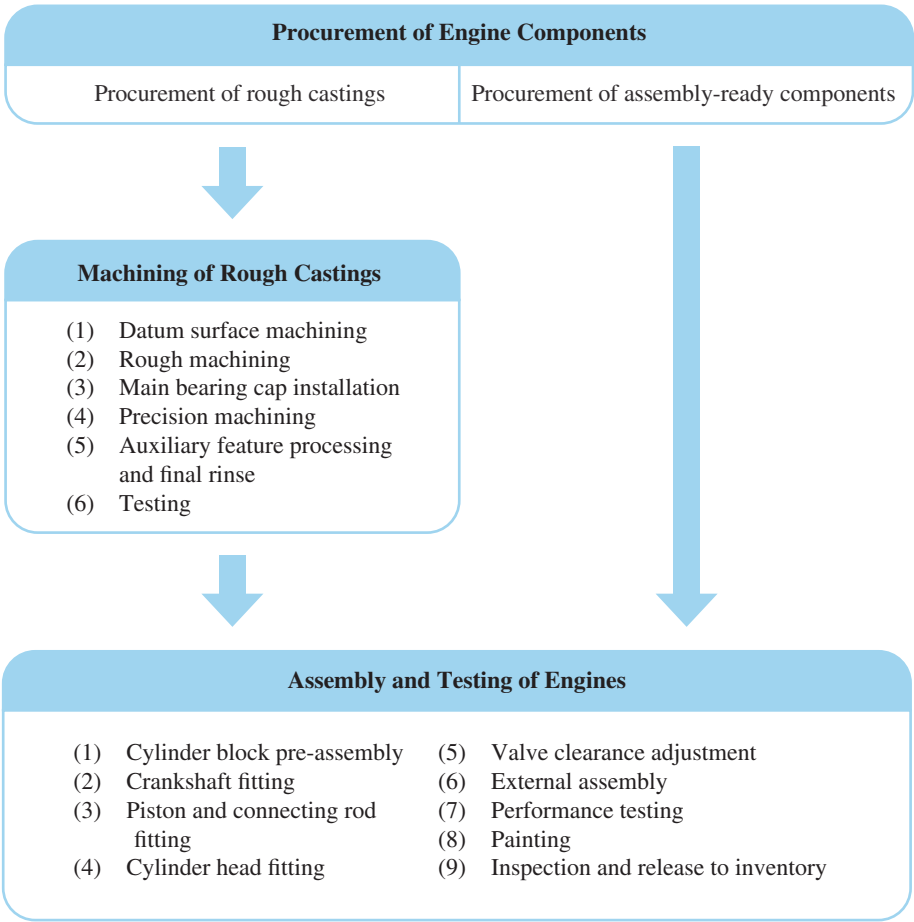
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PRODUCTION

Production Process — Engines

The production process for our engines can be broadly categorized into three major processes: (i) procurement of engine components (including rough castings and assembly-ready components); (ii) machining of rough castings; and (iii) assembly and testing of engines.

The following chart illustrates the major production processes for our engines:



Across the entire production process, all critical steps are subject to continuous monitoring and verification, with results reviewed against pre-set standards. This disciplined, systematic approach assures quality at each step, safeguards process integrity, and provides rigorous end-to-end manufacturing control.

Procurement of engine components

Procurement of engine components involves sourcing (i) rough castings of major engine components, which primarily include cylinder block rough castings and cylinder head rough castings, and (ii) assembly-ready components, which primarily include crankshafts, pistons, connecting rods, turbochargers, etc., and inspecting the quality of all such components upon their

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arrival at our production facilities. During the Track Record Period, we procured engine components from both Independent Third Parties and the Related Parties. See “Supply Chain — Procurement” and “Transactions with the Related Parties” in this section for details. All procured engine components are subject to dedicated inspection by our specialized quality control department, and the inspection results are recorded in our quality management system (QMS) to ensure traceability, continuous quality monitoring and compliance with our quality requirements and specifications.

Before March 2024, we produced in-house the cylinder block rough castings for our self-produced large engines and heavy-duty engines. In March 2024, we transitioned from in-house production to sourcing such rough castings from suppliers. Since then, in addition to certain other rough castings, we have been procuring cylinder block rough castings primarily from the GYMCL Related Parties. We chose to source such rough castings from suppliers as they have better economies of scale in manufacturing such components, while we can focus our efforts in more complex machining part of the production process.

Machining of rough castings

Machining of rough castings involves the processing of rough casting cylinder blocks and rough casting cylinder heads into assembly-ready cylinder blocks and cylinder heads that meet the designed specifications. Cylinder blocks and cylinder heads are core components of engines, and together with certain other components, they form the combustion chamber and cooling and lubrication passages and serve as the base for all major moving components. The machining precision of cylinder blocks and cylinder heads directly determines the overall assembly accuracy and performance of an engine. The average machining time required for a cylinder block varies by model from 15 to 100 hours, while the average machining time required for a cylinder head varies by model from five to 13 hours.

The following table illustrates the principal steps of the machining of rough castings:

No.	Steps	Details
1.	Datum surface machining	Use high-precision digital control milling and boring machines to complete the rough milling and precision milling of the datum surfaces (i.e. the top, bottom and side surfaces) which provides the locating reference for subsequent bore machining.
2.	Rough machining	Rough machine all bore groups to remove most of the excess casting material, and precise-machine the main bearing cap seating areas to ensure that the capped size achieve a dimensional accuracy of IT7 grade.
3.	Main bearing cap installation	Chamfer, deburr, and clean the main bearing cap seating areas, and complete the installation of the main bearing caps.

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No.	Steps	Details
4.	Precision machining	Precision-bore the main bearing bores and cylinder bores, and precision-mill the front and rear surfaces to achieve a dimensional accuracy of IT6–IT7 grade and surface roughness of Ra 0.8–1.6 μm of the bores.
5.	Auxiliary feature processing and final rinse	Perform leakage testing on lubrication zones, remove burrs and sharp edges from surfaces and bores, install camshaft-bore bushings and install bowl-shaped plugs in the water-passage areas, and conduct final cleaning to meet product cleanliness requirements.
6.	Testing	Inspect critical dimensions through the self-inspection function of our machining centers and coordinate measuring machines, perform the appearance inspection, and release the product for packaging and warehousing.

We outsource the datum surface machining and rough machining processes for certain models of cylinder blocks and cylinder heads to specialized and qualified contractors. Such processes have relatively low technical complexity, making them suitable for outsourcing. Outsourcing such production processes enable us to leverage specialized and qualified suppliers’ capabilities, direct our resources and production capacity to more productive uses, reduce lead-time and enhance supply resilience while maintaining consistent material quality and dimensional accuracy aligned with our machining and assembly requirements.

We apply the same standards for selecting outsourcing contractors as for selecting our suppliers. We also conduct on-site quality inspections at such contractors’ facilities to make sure that the outsourced production complies with our specifications. Following the rough machining by contractors, we perform the remaining core machining processes in-house to ensure conformance to specifications and consistent quality.

Assembly and testing of engines

Assembly and testing of engines involve the integration of machined cylinder heads and cylinder blocks with fuel supply system, turbocharging system, cooling and lubrication system and electrical system and other components into finished engines followed by the comprehensive end-of-line testing, including engine break-in tests, performance tests and three-leak inspections to verify the performance, emission compliance and reliability of our engines prior to release to inventory or delivery.

The average production time required for assembly and testing of an engine varies between 8 to 15 days, depending on the engine series.

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The following table illustrates the principal steps of the assembly and testing of engines:

No.	Steps	Details
1.	Cylinder block pre-assembly	Install cylinder liners, injector hook and bowl-shaped plugs into the cylinder block, followed by leakage testing with dedicated equipment to verify sealing performance.
2.	Crankshaft fitting	Install the crankshaft into the cylinder block and tighten the crankshaft bolts using a dual-spindle torque machine.
3.	Piston and connecting rod fitting	Use assembly robots to install piston-connecting rod assemblies into the cylinder block and tighten the connecting-rod bolts to the specified torque.
4.	Cylinder head fitting	Mount the pre-assembled cylinder head onto the cylinder block and tighten the cylinder head bolts using a four-spindle tightening machine.
5.	Valve clearance adjustment	Adjust the valve clearances of each valve on the cylinder head, in the firing order.
6.	External component assembly	Sequentially install external components including the fuel injection pump, water pump, engine oil pump, turbocharger, intercooler, oil lines, intake and exhaust manifolds, oil cooler and other components, and test the sealing performance.
7.	Performance testing	Conduct a comprehensive performance testing on an engine test bench to verify the power output, speed, exhaust temperature, smoke opacity and other key parameters against the required specifications.
8.	Painting	Apply anti-corrosion paint to the external surfaces of the engine using robotic spraying equipment.
9.	Inspection and release to inventory	Perform the final inspection and, upon the engine passing the final inspection, package it and release it to inventory.

For engine assembly, we have developed series-specific process operation guides for each engine type. The assembly site operates under fully digitalized management. Key assembly and inspection steps are automated, with relevant inspection data automatically recorded in our manufacturing execution system (MES). As a result, the production data for each engine is fully traceable. For engine testing, we have similarly prepared series-specific test operation guides for each engine type. Every engine undergoes test bench running-in and performance verification, with test data automatically recorded into the system.

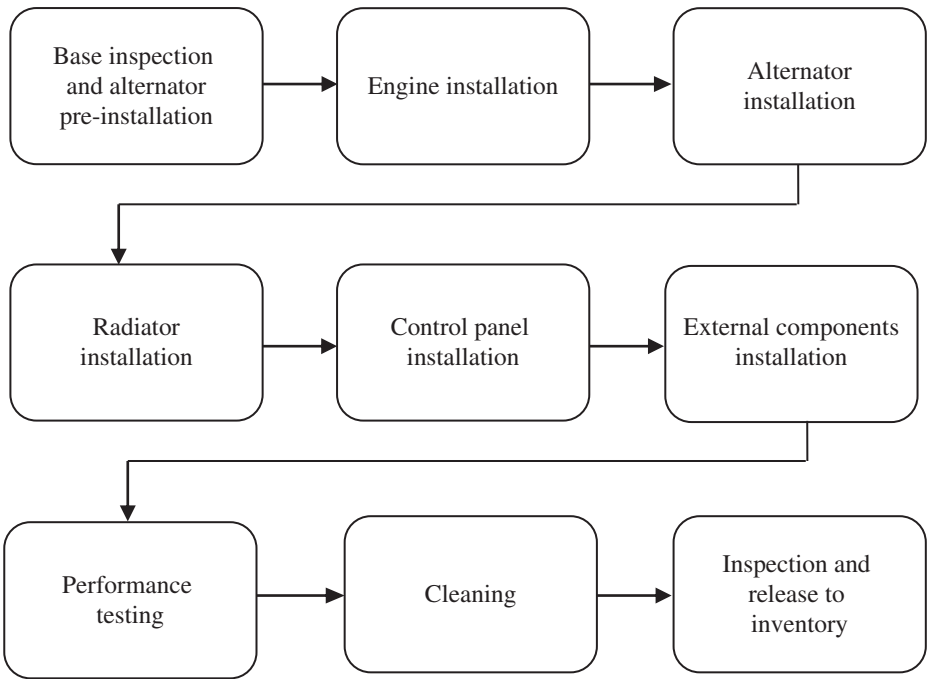
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During the Track Record Period, due to our constrained in-house capacity in testing medium- to light-duty engines and marine engines, we outsourced the testing process for some series of such engines to specialized and qualified contractors. Outsourcing the testing process for such series to specialized and qualified contractors allows us to concentrate our capacity on higher-margin models while meeting market demands for medium- to light-duty engines and marine engines.

We apply the same standards for selecting outsourcing contractors as for selecting our suppliers. We also conduct on-site quality inspections at such contractors’ facilities to make sure that the outsourced production complies with our specifications. In addition, we conduct final inspections of finished products, including functional and performance testing and verification against our specifications and documentation, prior to acceptance and release to confirm full compliance with our quality requirements.

Production Process — Power Generator Sets

The production process for our power generator sets involves integrating our engines with externally sourced alternators and a full suite of other components, such as cooling, control and intake and exhaust systems. The following chart illustrates the principal steps in the production process for the power generator sets.



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Production Facilities

All of our production facilities are located in Yulin City of Guangxi Zhuang Autonomous Region of China with a total site area of approximately 156,010.6 sq.m. As of September 30, 2025, we mainly had two machining lines and three engine assembly and testing lines in our current production base.

Our production facilities are highly flexible. A majority of our production lines can be adjusted to produce products with different specifications by adding or replacing certain production equipment without incurring significant setup time and costs. Our machining lines are mainly composed of flexible machining centers, such as five-axis linkage machining centers, horizontal boring and milling machining centers, double-column machining centers and horizontal machining centers. By configuring different accessory heads, fixtures, and cutters, these machining centers can cover and meet the manufacturing requirements of products with varied specifications. Each of our flexible machining centers also has a programmable control system where specific production data and information can be input and transmitted. The ability to produce different products and models on a single production line allows us to significantly reduce our equipment cost while maintaining the quality and diversity of our products. We also implement lean manufacturing principles, reduce non-value-added activities, simplify work processes and improve the flexibility and responsiveness of our production lines to improve our overall production efficiency.

The following table sets forth the estimated production capacity, actual production volume and utilization rate for our self-produced engines for the years/periods indicated:

	<u>Year Ended December 31,</u>		<u>Nine Months Ended September 30,</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Effective production capacity (units) ⁽¹⁾	14,260	16,507	18,050
Actual production volume (units)	12,603	15,349	17,510
Utilization rate (%) ⁽²⁾	88.4	93.0	97.0

Notes:

- (1) The effective production capacity is the maximum possible units of engines that could be produced in our engine assembly and testing lines for the year/period, which is calculated based on the following assumptions: (i) all the engine assembly and testing lines are operating at full capacity, excluding downtime for equipment maintenance and repairs, product model changeovers and material wait times; (ii) our engine assembly and testing lines operate for 250 days on an annual basis (which has taken into account the normal maintenance and repair downtime required); (iii) our engine assembly and testing lines operate for eight hours on a daily basis. During the Track Record Period, our effective production capacity increased primarily due to increased staffing, the addition and upgrading of equipment, and improvements in process and technological efficiency.
- (2) Utilization rate is calculated as dividing the actual production volume by the effective production capacity for the same year/period.

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Our Expansion Plan

To meet the production needs of our new products and to support the anticipated growth in demand for our new engine series, we plan to construct two machining lines and two assembly and testing lines, which are intended to produce medium-speed and high-power, high-speed engines, and to procure essential machinery. Each machining line will be equipped with cleaning machines and five-axis machining equipment, while each assembly and testing line will be outfitted with automated transfer assembly equipment, test benches and coating equipment. The two machining lines and two assembly and testing lines are expected to be completed and become operational in or before 2030. See “Future Plans and [REDACTED]” in this document for details.

Production Equipment

We procure our production equipment from reputable suppliers in China and overseas. The equipment used in our productions were either (i) standard machineries and equipment which are readily available on the market, or (ii) tailor-made equipment produced based on the designs or specifications we provided to the equipment suppliers.

During the Track Record Period, we did not encounter any delay in equipment delivery, or suspension or malfunction of our equipment that caused material and adverse impact to our business operations.

The following table describes our main production equipment:

Equipment	Function
Horizontal, vertical and gantry machining centers	Machining various complex and precision components through automatic tool changing, continuously performing multiple operations such as drilling, boring, milling, reaming and tapping in one machining center
Special-purpose machine	Conducting specific machining tasks on specific surfaces, dimensions and processes of designated components with high efficiency and high precision
High-pressure components cleaning equipment	Removing grease, metal chips, cutting fluid residues and other contaminants from machined components to ensure assembly accuracy
Coordinate measuring machine	Inspecting dimensional accuracy of machined components and analyzing manufacturing deviations from measurement results to refine machining processes and improve product quality stability

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Equipment	Function
Automated engine assembly equipment	Assembling engine components through integration of robotic arms, tightening machines and other equipment with high precision and high efficiency
Engine test benches	Evaluating overall engine performance primarily by verifying engine operating condition and reliability through real-time monitoring and analysis of key parameters such as torque, temperature, pressure and idle fuel consumption
Engine painting and drying equipment	Paint coating and drying engine surfaces

Our major production equipment and machinery have an estimated average useful life of 5 years. As of September 30, 2025, the remaining useful life of our equipment and machinery is one to eleven years. We regularly inspect and maintain our production equipment and machinery, as well as replace consumable components as needed.

Production Planning

We establish annual and monthly rolling production plans. Our production plans are mainly affected by the volume of orders. Based on the number of orders and demand of customers, we develop our production plans, which in turn determine the upstream procurement plans for components and equipment. We align our production lines with customer demand and upstream procurement to ensure that we produce in sufficient quantities and on time while avoid overstocking.

INTELLECTUAL PROPERTIES

Our success depends to a large extent on our ability to protect our core technology and intellectual property. We seek to protect our technology and intellectual property through a combination of trademark, fair trade practice, copyright, trade secret protection laws, patent protection as well as confidentiality procedures and contractual provisions. We enter into confidentiality and invention assignment agreements with our key research and development employees, and we maintain strict control over access to our proprietary technology and information.

We have taken, and will continue to take, initiatives in safeguarding our intellectual property rights. We have adopted and implemented internal procedures for monitoring and combating the counterfeiting of our products and protecting our intellectual property rights. Externally, we engaged third-party service providers to assist us to track and take actions against such illegal counterfeiting of our products. Through these steps and efforts, we had effectively curtailed the continued counterfeiting of our products and protected our business and brand from being further harmed by such illegal counterfeiting activities.

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As of September 30, 2025, we had (i) a total of 558 registered patents in China, including 92 invention patents, 459 utility model patents and seven design patents, (ii) nine international patents under the Patent Cooperation Treaty, (iii) five software copyrights in China, (iv) one domain name in China, and (v) a total of 133 pending patent applications, including 86 pending applications for invention patents and 47 pending applications for utility model patents. In addition, as of September 30, 2025, we were able to use 22 trademarks, including “Yuchai”, pursuant to the trademark license granted to us by GY.

In particular, our patent development efforts focus on reinforcing product performance, manufacturability and cost competitiveness across our product series. Our patents can be broadly classified into three categories:

- (1) **Structural patents:** Structural patents focus on fundamental design innovation and refinement of core engine components, targeting high-strength, lightweight solutions for critical components such as cylinder blocks, cylinder heads, crankshafts, pistons and connecting rods, with the aim of resolving long-standing, industry-wide technical bottlenecks.
- (2) **Control patents:** Control patents focus on precise operational management across the engine life cycle, including fuel injection, power and speed adjustment, cooling and lubrication control, intake and exhaust management, turbocharging control and error diagnostics, thereby enhancing performance and reliability through refined algorithms that address multi-variable coupling and improve real-time response and adaptive control under complex operating conditions.
- (3) **Process patents:** Process patents focus on manufacturing and assembly process for core components, improving accuracy, consistency and production efficiency of the products. By enhancing process parameters and developing unique core processing techniques, we aim to address technical bottlenecks in key processes such as precision machining, heat treatment and assembly calibration.

We intend to further expand the portfolio of our intellectual properties to support and sustain the steady growth of our business.

QUALITY CONTROL

Quality control is an important part of our business operations. We have established a comprehensive quality control system that is designed to ensure the high standards of our products. Our internal quality control policies and procedures cover the full-life cycle of our products, primarily including: (i) product design and development, (ii) supply chain management, (iii) production process and (iv) after-sale services. We have a dedicated team of quality control personnel who are responsible for conducting quality testing and inspections, monitoring the quality standards of our products and overseeing the implementation of our internal quality control procedures throughout the entire process of our operations. As of September 30, 2025, our quality

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control team comprised of 45 employees, including four senior quality chief engineers, 33 quality engineers and eight inspectors. We continuously train and recruit outstanding quality management engineers.

Quality Control in Product Design and Development

We design and develop our products in compliance with applicable laws, regulations, industry standards as well as customer specifications. Throughout the product design and development process, we conduct a series of evaluations and validations of prototype products to achieve the high performance, reliability and cost-effectiveness in the final model. Furthermore, we test our prototypes under diverse environmental and other conditions to meet the specifications of our customers.

Quality Control in Supply Chain Management

We implement detailed procedures for supplier selection to ensure the quality of procured components. When evaluating potential suppliers, we will conduct due diligence on various aspects such as reputation, credentials, experience and pricing. We maintain a list of qualified suppliers, which is subject to our internal review from time to time. It is our policy to procure components for mass-production of engines solely from the qualified suppliers on our list. In addition, we conduct routine inspection and sample tests on components sourced from our suppliers before they are used in the production process to ensure that such components comply with our specifications and the required quality standards. In the event that we detect any substandard or defective components, they will be labeled as “substandard” and be retained in a designated area where our technicians will inspect and decide whether such components may be repaired or should be returned to the relevant suppliers for replacement. In some cases, we may charge suppliers repair service fees for repairing, replacing or otherwise remediating defects in engine components it supplied to us.

Quality Control in Production Process

Our dedicated quality control personnel carry out in-process quality inspections and tests at various stages of the production process. During the machining process, our quality inspectors perform spot checks to confirm adherence to approved processes, dimensional conformity and the absence of machining defects. Before releasing the machined cylinder blocks and cylinder heads into the warehouse, we conduct dedicated inspections covering critical dimensions, cleanliness and visible or latent defects. On each assembly line, inspectors conduct checks of engine appearance, correctness and completeness of components, and compliance with specified torque values before the engine leaves the line. Through such in-process quality inspections and tests, we identify defective products and other quality issues concerning our products and promptly rectify such problems. Our dedicated quality control personnel also conduct various types of testing on finished products to make sure that they meet the relevant technical standards and customers’ specifications.

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Quality Control in After-Sales Services

As an essential part of our after-sales services, our after-sales service engineers and technicians focus on examining and identifying any defects concerning our products or any components of such products. For defective products or components, our after-sales service engineers and technicians, together with our authorized service stations, make proper repairs and provide qualified replacement components or products as needed.

Quality Accreditations

We have earned various international and domestic certifications in quality, including:

Certification	Certifying Authorities
GB/T 19001-2016/ISO 9001:2015 Quality Management System	CCS
GB/T 24001-2016/ISO 14001:2015 Environmental Management System	CCS
GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System	CCS
Greenhouse Gas Verification Statement	TL Certification Center Co., Ltd.
Uptime Certification	Uptime Institute
TLC Product Certification	TL Certification Center Co., Ltd.

SUPPLY CHAIN

Procurement

We primarily procure components for our production of engines and power generator sets. To complement our product portfolio and meet customer demand, we also procure finished engines and power generator sets for sales to our customers. Our production department is responsible for procuring components, finished engines and power generator sets according to our production needs and market demands. Our process quality department is responsible for monitoring the performance of suppliers and handling the liaison work with existing or potential suppliers.

Our procurement process involves coordination among multiple departments including the production department, finance department, management department and the sales and marketing department. Pursuant to the procurement requirements, we select suitable suppliers. We sign procurement agreements with selected suppliers and track purchase orders. After receiving the procured components, finished engines and power generator sets, we will conduct a receipt inspection and arrange warehousing, handle defective product returns and process invoices and

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payments. Additionally, our process quality department introduces new suppliers from time to time based on business needs, maintains a list of qualified suppliers, and conducts periodic evaluations and review of our suppliers.

The key components procured by us include principally cylinder block rough castings, cylinder head rough castings, crankshafts, camshafts, pistons, connecting rods, turbochargers, fuel injection pumps, fuel injectors and water pumps. We procure these components primarily from suppliers located in China. We have progressively reduced our need for imported components in recent years, in part due to an increasing number of international suppliers having acquired local manufacturing and logistics capabilities in China. Our procurement policy generally requires the same category of components to be sourced from at least two distinct sources. However, with respect to a limited number of components, i.e., high-power HPCR fuel injection pumps and high-power HPCR fuel injectors, we rely on the import from single source outside of China. For such components, we have entered into long-term framework supply agreements with the relevant supplier to set out the agreed terms on pricing, in an effort to ensure the continued supply of such components to us as well as control and mitigate potential and unanticipated increases in their prices. In general, we have maintained stable relationships with our suppliers of key components. See “Supply Chain — Key Terms of Procurement Agreements” in this section for further details. We also endeavor to cooperate with qualified domestic producers for the joint development and production of imported components so as to enhance our supply chain stability.

We procure finished engines from the Related Parties to complement our product portfolio and meet customer demands in a cost- and time-efficient manner. We procure from MTU Yuchai and sell *mtu* branded power generator engines. See “Transactions with the Related Parties — Transactions with MTU Yuchai” in this section for details. We procure certain “Yuchai” branded finished heavy-duty engines, medium- to light-duty engines and marine propulsion and auxiliary engines, which generally have lower rated power and lower gross margins, primarily from GY Entities and the GYMCL Related Parties. See “Transactions with the Related Parties — Transactions with GY Entities” and “Transactions with the Related Parties — Transactions with the GYMCL Related Parties” in this section for details. Our Directors are of the view that the abovementioned arrangements with our Related Parties were in our best interest and were fair and reasonable. We have been and will continue to closely monitor the level of our demand for the products we sourced from the Related Parties and the purchase orders placed by us with the Related Parties to ensure there is a sufficient supply of products to meet our sales needs.

We also procure power generator sets for sales to our customers from qualified OEMs who used our power generator engines and integrated such engines into the power generator sets. In limited instances, the power generator sets we sell may use engines not produced or sold by us. See “Products and Services — Power Generator Sets” in this section for details.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant shortage or delay in supplies of components, finished engines or power generator sets, and the components, finished engines and power generator sets provided by our suppliers did not have any significant quality issues.

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Supplier Selection Process

We evaluate and select suppliers on various criteria, including quality, reputation, qualifications, experience and price, and generally conducted supplier site visits as part of the evaluation process. We require potential suppliers to submit documentary proof to demonstrate that they possess the required qualifications including ISO9001 certification and any other certifications or licenses applicable to the relevant products and production processes.

In general, based on periodic evaluations covering aspects such as technology, quality, delivery, cost and responsiveness, we classify our suppliers of components as Grade A, Grade B, Grade C and Grade D. For Grade A and Grade B suppliers, we will maintain continuous collaboration with them and grant them preferential access to new product development opportunities. For Grade C suppliers, we will place them on a high-risk watch list. For Grade D suppliers, we will place them in a phase-out pipeline. Unless they fulfill the rectification requirements to our satisfaction, Grade D suppliers will cease to be qualified suppliers for us.

In addition to maintaining strong ties with our major suppliers, we endeavor to proactively expand our supplier network, thus broadening our sourcing channels, mainly for key components, and enhancing the strength and flexibility of our supply chain.

Key Terms of Procurement Agreements

We generally enter into framework agreements with our suppliers of components and finished engines, and place orders on demand. The terms of such framework agreements are typically one year (the “**Typical Framework Agreements**”), except that we have entered into a long-term framework agreement with a term of five years (the “**Long-Term Framework Agreement**”) with a single-source supplier from which we procure high-power HPCR fuel injection pumps and high-power HPCR fuel injectors to secure stable supply. The major terms of the framework agreements we enter into with our component and engine suppliers generally include the following:

	<u>Typical Framework Agreements</u>	<u>Long-Term Framework Agreement</u>
Purchase order	We shall notify the suppliers or third-party warehouses designated by the relevant suppliers of the type, specification, quantity, tax rate and delivery date for the components or finished engines we need via our supplier relationship management (SRM) system, email or other agreed methods. If a supplier does not provide a written objection within the agreed timeframe after receipt of our purchase order, the supplier shall be deemed to have accepted such purchase order.	

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	<u>Typical Framework Agreements</u>	<u>Long-Term Framework Agreement</u>
Price	We typically specify the unit price of the components for mass-production or finished engines in the framework agreements. In respect of components, the unit price is usually subject to a price adjustment mechanism considering raw material cost fluctuations.	We typically specify the unit price of the relevant components in an annual price agreement, being a supplemental agreement to be reviewed and signed annually in accordance with the framework agreement. The price shall be adjusted annually through negotiations and in accordance with the agreed price adjustment formula considering (i) commodity price change, (ii) exchange rate change and (iii) inflation rate change.
Minimum purchase quantity	There is no minimum purchase commitment.	We set out the annual minimum purchase quantity for the relevant components in the framework agreement. If the actual purchase quantity is lower than the minimum purchase quantity, parties will renegotiate the prices. In addition, at the end of each year, the parties will agree on an estimated purchase quantity for the following year. If, during a particular year, we propose to adjust the estimated annual purchase quantity by more than 10%, the parties will negotiate the revised quantity.

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	<u>Typical Framework Agreements</u>	<u>Long-Term Framework Agreement</u>
Delivery, inspection and product returns	The suppliers shall deliver the components or finished engines to the place designated by us and shall generally be responsible for costs of delivery. We conduct product inspections after delivery of components or finished engines to us. For defective components or finished engines that do not meet the agreed quality standard, we shall be entitled to a return or replacement by the suppliers or other remedies as agreed under the framework agreement.	
Warranty period	The supplier is required to provide a warranty for the products sold to us and provide free repair, replacement or return or warranty compensation for defective products identified during the warranty period.	
Credit terms and payment method	The credit terms and payment method shall be in accordance with the framework agreement. We are typically offered a credit term of 30–90 days.	The credit terms and payment method shall be in accordance with the framework agreement. We are offered a credit term of 90 days.
Confidentiality	We usually set confidentiality clauses in the framework agreements, and the period of confidentiality obligations may be extended to after the expiration of the agreements.	

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	<u>Typical Framework Agreements</u>	<u>Long-Term Framework Agreement</u>
Duration, termination and renewal	The term of framework agreements is typically one year, which, upon expiry and through parties’ mutual agreement, could be extended to the date on which parties enter into a new agreement. The framework agreement may be terminated (i) by mutual agreement, (ii) by us in the event of a material breach by the supplier, or (iii) by the supplier on six months’ prior notice with our written consent.	The term of the framework agreement is five years, which, upon expiry, will be automatically renewed on an annual basis unless terminated by either party on six months’ prior notice. The framework agreement may be terminated, among others, (i) by either party in the event of a material breach by the other party which remains unremedied for a period of 30 days after written notice thereof by the non-breaching party, (ii) by us if delivery is delayed for more than five months, or (iii) by the supplier if payment is delayed for more than 16 weeks.

We typically enter into individual procurement agreements with our suppliers of power generator sets. The major terms of the procurement agreements generally include the following:

Specifications	We shall specify in the procurement agreement with the relevant suppliers of the type, specification, quantity, unit price, tax rate and delivery date for the power generator sets.
Delivery, inspection and product returns	The power generator sets are typically made available at the suppliers’ warehouses. We take delivery there, arrange transportation to our end-user customers’ designated delivery places or our warehouses, and bear the associated delivery costs. Product inspection shall generally be conducted at the end-user customers’ designated delivery places or our warehouses, as the case may be. Within a specified period prior to the delivery date, we may, upon written notice, require the supplier to accept a return of the power generator sets in whole or in part.

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Credit terms and payment method	The credit period and payment method shall be in accordance with the procurement agreement. Payments are typically made in installments, with a deposit before delivery followed by post-delivery payments.
Technical support and warranty period	The supplier shall provide technical support and warranty services to us and/or our end-user customers during the warranty period. The warranty period is typically one to five years from the date on which the commissioning and testing of the power generator sets are successfully completed. The suppliers shall not outsource such services to third parties.
Termination	We may terminate the procurement agreement in the event that, among others, (i) our first prototype power generator sets produced by the suppliers fail to satisfy our testing requirements, or the subsequent products do not conform to the first prototype; (ii) the suppliers assign the procurement agreement to third parties; or (iii) product quality or the warranty services fail to meet the agreed requirements and are not remedied within the agreed period.

Suppliers

Our suppliers are primarily providers of components and engines and OEMs of power generator sets based in China. We carefully select our suppliers and require them to satisfy various assessment criteria. All potential suppliers must pass our internal supplier admission standards before entering into our qualified supplier list. We also carry out regular reviews of qualified suppliers.

In 2023 and 2024 and the nine months ended September 30, 2025, purchases from our largest supplier amounted to RMB563.7 million, RMB626.8 million and RMB655.9 million, representing 20.1%, 17.5% and 15.8% of our total amount of purchase for the respective periods, respectively, while purchases from our five largest suppliers amounted to RMB1,328.3 million, RMB1,585.9 million and RMB1,656.5 million, representing 47.4%, 44.4% and 39.8% of our total amount of purchase for the respective periods, respectively.

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The following tables set forth the details for each of our five largest suppliers during the Track Record Period.

Rank	Supplier	Type of products purchased by us	Background	Year of commencement of business relationship	Credit terms	Payment methods	Purchase Amount (RMB'000)	Percentage of total purchase %
Year Ended December 31, 2023								
1	GY Entities	Engines, engine components, fuels and logistics services	GY is a private company headquartered in Guangxi Zhuang Autonomous Region founded in 1992 with approximately RMB1,824.8 million in registered capital, through its controlled subsidiaries, GY's businesses include manufacture of engines, logistics and supply chain services and new energy related services. GY Entities are our Related Parties.	2022	0–90 days	Bank transfer/ acceptance bill	563,689	20.1
2	GYMCL Related Parties	Engines, engine components and testing services	GYMCL is a joint stock company with limited liability headquartered in Guangxi Zhuang Autonomous Region incorporated in 1992 with approximately RMB473.0 million in registered capital, principally engaged in the design, manufacture, assembly and sales of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment. GYMCL is our Controlling Shareholder, and the GYMCL Related Parties will become our connected persons upon [REDACTED].	2022	30–91 days	Bank transfer/ acceptance bill	381,375	13.6
3	MTU Yuchai	Engines	A private company headquartered in Guangxi Zhuang Autonomous Region founded in 2017 with approximately RMB150 million in registered capital, principally engaged in development, manufacture, sales and related technical services of non-road engines; and a 50–50 joint venture of us and is our Related Party.	2022	20% prepayment required, the remaining payment within 30 days after receipt of goods	Bank transfer	191,014	6.8
4	Supplier A	Crankshafts	A private company headquartered in Liaoning Province founded in 2003 with approximately RMB100 million in registered capital, principally engaged in manufacture of engine crankshafts and forgings.	2022	60 days	Bank transfer/ acceptance bill	105,835	3.8
5	Supplier B	High-power HPCR fuel injection pumps and fuel injectors	A private company headquartered in Shanghai founded in 2000 with approximately RMB100 million in registered capital, principally engaged in manufacture and sales of construction machinery and equipment, mechanical devices and related components.	2022	90 days	Bank transfer/ acceptance bill	86,421	3.1
Total							1,328,344	47.4

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Rank	Supplier	Type of products purchased by us	Background	Year of commencement of business relationship	Credit terms	Payment methods	Purchase Amount (RMB'000)	Percentage of total purchase %
Year Ended December 31, 2024								
1	GY Entities	Engines, engine components, fuels and logistics services	GY is a private company headquartered in Guangxi Zhuang Autonomous Region founded in 1992 with approximately RMB1,824.8 million in registered capital, through its controlled subsidiaries, GY's businesses include manufacture of engines, logistics and supply chain services and new energy related services. GY Entities are our Related Parties.	2022	0–90 days	Bank transfer/ acceptance bill	626,825	17.5
2	GYMCL Related Parties	Engines, engine components and testing services	GYMCL is a joint stock company with limited liability headquartered in Guangxi Zhuang Autonomous Region incorporated in 1992 with approximately RMB473.0 million in registered capital, principally engaged in the design, manufacture, assembly and sales of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment. GYMCL is our Controlling Shareholder, and the GYMCL Related Parties will become our connected persons upon [REDACTED].	2022	30–91 days	Bank transfer/ acceptance bill	514,350	14.4
3	MTU Yuchai	Engines	A private company headquartered in Guangxi Zhuang Autonomous Region founded in 2017 with approximately RMB150 million in registered capital, principally engaged in development, manufacture, sales and related technical services of non-road engines; and a 50–50 joint venture of us and is our Related Party.	2022	30 days	Bank transfer	256,627	7.2
4	Supplier A	Crankshafts	A private company headquartered in Liaoning Province founded in 2003 with approximately RMB100 million in registered capital, principally engaged in manufacture of engine crankshafts and forgings.	2022	60 days	Bank transfer/ acceptance bill	101,800	2.8
5	Supplier B	High-power HPCR fuel injection pumps and fuel injectors	A private company headquartered in Shanghai founded in 2000 with approximately RMB100 million in registered capital, principally engaged in manufacture and sales of construction machinery and equipment, mechanical devices and related components.	2022	90 days	Bank transfer/ acceptance bill	86,306	2.4
Total							1,585,908	44.4

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Rank	Supplier	Type of products purchased by us	Background	Year of commencement of business relationship	Credit terms	Payment methods	Purchase Amount (RMB'000)	Percentage of total purchase %
Nine Months Ended September 30, 2025								
1	GY Entities	Engines, engine components, fuels and logistics services	GY is a private company headquartered in Guangxi Zhuang Autonomous Region founded in 1992 with approximately RMB1,824.8 million in registered capital, through its controlled subsidiaries, GY's businesses include manufacture of engines, logistics and supply chain services and new energy related services. GY Entities are our Related Parties.	2022	0–90 days	Bank transfer/ acceptance bill	655,935	15.8
2	GYMCL Related Parties	Engines, engine components and testing services	GYMCL is a joint stock company with limited liability headquartered in Guangxi Zhuang Autonomous Region incorporated in 1992 with approximately RMB473.0 million in registered capital, principally engaged in the design, manufacture, assembly and sales of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment. GYMCL is our Controlling Shareholder, and the GYMCL Related Parties will become our connected persons upon [REDACTED].	2022	30–91 days	Bank transfer/ acceptance bill	453,766	10.9
3	MTU Yuchai	Engines	A private company headquartered in Guangxi Zhuang Autonomous Region founded in 2017 with approximately RMB150 million in registered capital, principally engaged in development, manufacture, sales, and related technical services of non-road engines; and a 50–50 joint venture of us and is our Related Party.	2022	30 days	Bank transfer	260,501	6.3
4	Supplier C	Alternators	A private company headquartered in Fujian Province founded in 1995 with approximately USD12.2 million in registered capital, principally engaged in manufacture of generators, motors and gearboxes.	2023	60 days	Bank transfer/ acceptance bill	162,974	3.9
5	Supplier A	Crankshafts	A private company headquartered in Liaoning Province founded in 2003 with approximately RMB100 million in registered capital, principally engaged in manufacture of engine crankshafts and forgings.	2022	60 days	Bank transfer/ acceptance bill	123,340	3.0
Total							1,656,516	39.8

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The GYMCL Related Parties will become our connected persons upon [REDACTED], and GY Entities and MTU Yuchai are our Related Parties. Save for the abovesaid, as at the Latest Practicable Date, to the best knowledge and belief of our Directors after making reasonable enquiries, our five largest suppliers during the Track Record Period were Independent Third Parties.

As confirmed by our Directors, save for GYMCL, none of our Directors or their respective associates, or any Shareholders of our Company, who own 5% or more of our issued shares, have any interest in any of our five largest suppliers in each year/period during the Track Record Period.

SALES, MARKETING AND CUSTOMERS

Sales and Service Network

We have established both national and international sales and service network and dedicated sales teams to serve our customers globally. As of September 30, 2025, our sales and service network consisted of our headquarters in Yulin City, 13 regional sales centers in major geographic regions in China and five overseas business divisions covering Europe, Middle East, Africa, Asia and South America.

As of September 30, 2025, our sales and marketing department had 156 personnel, including 104 stationed in China and 52 stationed outside of China. Our sales and marketing department is mainly responsible for formulating our sales and marketing strategies, preparing market analysis reports and business proposals, managing our sales orders and agreements, building our brand image, identifying and developing potential customers and providing customer services.

Through our sales and service network, we have dedicated personnel responsible for each of our products sold in domestic and overseas markets. Our sales and marketing teams regularly contact our existing and potential customers about our current products and development plans, and gather feedbacks from customers on our products to gain more insights about the needs of our customers and future market trends.

The table below sets forth a breakdown of our revenues by regions for the years/periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Chinese mainland	3,118,778	96.3	3,785,372	94.6	2,840,138	95.7	4,751,855	95.7
Overseas	120,230	3.7	214,424	5.4	127,733	4.3	215,344	4.3
Total	3,239,008	100.0	3,999,796	100.0	2,967,871	100.0	4,967,199	100.0

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The revenue generated from our overseas sales increased from RMB120.2 million in 2023 to RMB214.4 million in 2024 and increased from RMB127.7 million for the nine months ended September 30, 2024 to RMB215.3 million for the nine months ended September 30, 2025, primarily due to our continuous effort to expand our overseas sales and global presence.

Our major overseas customers are primarily OEMs. We primarily acquired our overseas customers through customer visits and participating in exhibitions.

Sales and Distribution

Our sales model combines direct sales and distribution channels. We primarily directly sell power generator engines to OEMs and power generator sets to end users, and, to a lesser extent, distribute power generator engines and power generator sets, through distributors. We primarily distribute our marine propulsion and auxiliary engines through distributors, and, to a lesser extent, directly sell our marine propulsion and auxiliary engines to end users.

The following table sets forth a breakdown of our revenue by sales channels for the years/ periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Direct sales	2,719,433	84.0	3,473,103	86.8	2,560,388	86.3	4,421,196	89.0
Sales through distributors	519,575	16.0	526,693	13.2	407,483	13.7	546,003	11.0
Total	3,239,008	100.0	3,999,796	100.0	2,967,871	100.0	4,967,199	100.0

Direct sales

We primarily market and sell power generator engines directly to OEMs who assemble our engines into power generator sets and sell to end users. We also market and sell power generator sets directly to end users, including leading internet technology companies and telecommunication operators. To a lesser extent, we directly sell our marine propulsion and auxiliary engines to end users. We generally secure orders from our customers through direct negotiations with them. In respect of our sales of power generator sets, we also participate in tendering processes initiated by our customers.

We generally enter into standard sales agreements with our direct sales customers. See “Sales, Marketing and Customers — Key Terms of Sales Agreements” in this section for further details.

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Distribution channels

We primarily sell marine propulsion and auxiliary engines and, to a lesser extent, power generator engines and power generator sets through the established networks of our distributors across China and overseas. Our distributors are primarily mechanical and electrical companies and trading companies with established local customer bases. According to Frost & Sullivan, our use of distributors is in line with the industry norm.

The following table sets forth the number of our distributors and its changes in the periods indicated:

	Year Ended December 31,		Nine Months Ended
	2023	2024	September 30, 2025
Number of distributors at the beginning of the period	34	47	53
Number of new distributors for the period ⁽¹⁾	13	10	9
Number of terminated distributors for the period ⁽²⁾	0	(4)	(7)
Net increase/(decrease) in number of distributors for the period	13	6	2
Number of distributors at the end of the period	47	53	55

Notes:

- (1) The number of new distributors represents those distributors from whom we recognize revenues for the period indicated but no revenues recognized for the financial year immediately preceding the period indicated.
- (2) The number of terminated distributors represents those distributors from whom we did not recognize revenues for the period indicated but have revenues recognized for the financial year immediately preceding the period indicated.

The growth in the number of distributors during the Track Record Period reflects our ongoing efforts to expand our distribution network with capable partners nationwide and worldwide, thereby boosting our domestic and international market presence. During the Track Record Period, we discontinued relationships with several distributors following periodic reviews of distributor performance and our distribution arrangements.

Our relationships with distributors are buyer-seller relationships. During the Track Record Period, a limited number of the GYMCL Related Parties, which would become our connected persons upon [REDACTED], acted as our distributors. Such GYMCL Related Parties, engaging in distribution business in addition to the GYMCL Related Parties’ OEM and other businesses, have extensive nationwide warehouse network as well as established customer channels in certain

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specialized market segments and overseas markets. We utilize their network to facilitate the efficient delivery of our engine components to our chain of authorized service stations to provide after-sales services to our customers and other end users, and leverage their channels to expand market reach of our products. Revenue attributable to such GYMCL Related Parties as our distributors accounted for 1.0%, 0.8% and 0.8% of our total revenue in 2023, 2024 and the nine months ended September 30, 2025, respectively. A limited number of our distributors are controlled by a family member and/or relatives of the chief executive of an insignificant subsidiary of our Company. Revenue attributable to such distributors accounted for 1.0%, 0.5% and 0.3% of our total revenue in 2023, 2024 and the nine months ended September 30, 2025, respectively. Save as mentioned above, during the Track Record Period, to the best of our Directors’ knowledge, all of our distributors were Independent Third Parties, and none were controlled by our current or former employees.

Distributor selection and management

We implement a rigorous selection process and ongoing evaluation of our distributors. Our selection criteria include industry knowledge, access to customer networks, market coverage, understanding of our products, commitment to long-term partnerships, creditworthiness, financial health and business scope. We regularly review our distributors’ performance evaluations, focusing on their credit status, inventory control, business network expansion, operational improvements and sales achievements.

Our distributor management policies include routine oversight, sales support and analysis, and periodic performance assessments to promote alignment with our standards and objectives. Additionally, we offer robust support to enhance our distributors’ sales and management skills. We actively collaborate with distributors, assisting them during customer visits and negotiations to provide timely advice. We also conduct training programs aimed at improving the product knowledge and sales skills of distributor staff to enhance overall sales performance.

Anti-cannibalization management

To prevent cannibalization between our direct sales and distributorship channels, as well as among our distributors, we have implemented a comprehensive distributor management framework. We grant our distributors distribution rights within specific regions across the country, verify shipment destinations and prohibit distributors from selling beyond their designated regions without our authorization, which effectively eliminates market overlap and competition among distributors in different regions. Our distributors may conduct periodic visits to end customers within their designated regions to verify product shipments. If they discover products not sold by them, they may report or escalate the matter in accordance with our special order management procedures. If a distributor wishes to sell our products outside its designated area, we evaluate such request pursuant to our cross-region sales management policies. We may approve such request if the distributor designated to that region has not contacted the target end users.

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We believe, during the Track Record Period and up to the Latest Practicable Date, there were no instances of cannibalization between our direct sales efforts and sales through distributors. In the event that a customer is contacted by both our sales representatives and distributors, the person who first contacts the customer will manage the order. If a distributor handles the order, we will not intervene or engage directly with that distributor’s customer. These customers typically do not purchase our products directly from us, as they have established relationships with our distributors, who often operate in the same geographic regions and provide better local coverage.

Distributor inventory management

We generally do not allow returns of products sold to distributors, except for defective products. According to Frost & Sullivan, our goods return policy with distributors is in line with the industry practice. Under some arrangements, our distributors independently determine their inventory levels based on their business needs and forecasts of customer demand, and we maintain regular communication with our distributors to understand their size of inventory and sales performance, while other arrangements may follow different inventory management approaches. See “Sales, Marketing and Customers — Consignment Arrangements” in this section. In any event, we do not have control over our distributors’ inventory levels or end-customer demand.

Key terms of distribution agreements

We enter into distribution agreements with our distributors. Our distribution agreements typically contain the following terms:

Duration	Typically one year
Geographic exclusivity	We generally designate the geographical area within which our distributors are allowed to market and sell our products and services. A distributor is generally prohibited from marketing and selling our products and services outside its designated geographic area.
Payment and credit terms	We generally require our distributors to make full payment within 30–90 days of shipment.
Minimum purchase amount or sales target	We may specify an indicated minimum purchase amount or sales target in the distribution agreement.
Pricing	We typically specify the unit price of each type of products provided to distributors in the distribution agreement.
Appointment of sub-distributors	Our distributors may not engage any sub-distributor without our prior written consent.

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Delivery term	Under some arrangements, we bear the costs and risks of delivering products to the distributors’ warehouses, while under other arrangements, delivery occurs at our warehouses, after which the distributors assume the transportation costs and associated risks.
Termination	Each party has the right to terminate the agreement if the other party breaches the distribution agreement.
Warranty and return policy	Our warranty period usually ranges from one to five years, depending on the product type. We bear the cost of product return or replacement in case of defective products.

Marketing

Our customers are primarily OEMs. Based on our reputation in the market, some end-user customers across different industries also purchase products from us directly. To attract new customers and maintain existing customers, our dedicated sales and marketing teams also approach new and existing clients directly from time to time to promote our products.

We employ a multi-channel marketing strategy. To increase market exposure and strengthen brand recognition, we participate in seminars, trade shows and exhibitions in the PRC and overseas, such as the China Import and Export Fair, Shanghai International Power Exhibition, Data Center World Asia, and run advertising campaigns. We hold product roadshows and technical briefing to introduce new engine models and configurations. Through customer visits, we identify operational needs of clients to design and develop products that meet the specifications required by the customers. In parallel, we conduct end-user outreach and education to build awareness and accelerate entries into new markets. In addition, we leverage referrals from existing customers to cultivate high-quality leads and broaden our customer base.

Consignment Arrangements

During the Track Record Period, we entered into consignment arrangements with our customers. Under such arrangements, we deliver our products to warehouses designated by our customers for consignment. While on consignment, title to and inventory risk in respect of the products remain with us until the customer accepts and utilizes the products. Revenue is recognized at the time of such acceptance and release from consignment. For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, revenue generated from such consignment arrangements amounted to approximately RMB2,577.6 million, RMB3,061.9 million, RMB2,369.7 million and RMB3,261.1 million, representing approximately 79.6%, 76.6%, 79.8%, and 65.7% of our revenue for the respective years/periods. According to Frost & Sullivan, our consignment arrangements with customers are in line with the industry practice.

We have established the following internal control for monitoring and verifying inventory levels for products under consignment arrangement: (i) we will enter into consignment service agreements with the relevant customers and/or the third party warehouses designated by the

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customers, (ii) we deliver the products to warehouses designated by the customers based on the estimated procurement quantities provided by the customers, (iii) at the end of each month, we will gather all product acceptance and utilization records from each customer and conduct monthly reconciliation to verify the quantity of products delivered to and accepted by each customer, and (iv) we will perform physical inventory counts at the relevant warehouses on a regular basis.

Customers

Our customers comprise direct sales customers and distributors of our products. Our direct sales customers are primarily OEMs who purchase engines from us to assemble power generator sets, and also include end users to whom we sell power generator sets.

In 2023 and 2024 and the nine months ended September 30, 2025, sales to our largest customer amounted to RMB708.4 million, RMB539.4 million and RMB1,009.6 million, representing 21.9%, 13.5% and 20.3% of our total revenue for the respective periods, respectively, while sales to our five largest customers amounted to RMB1,088.7 million, RMB1,135.8 million and RMB1,691.9 million, representing 33.6%, 28.4% and 34.1% of our total revenue for the respective periods, respectively. The increase in the percentage of our revenue from the five largest customers of the total revenue for the nine months ended September 30, 2025 was primarily due to the revenue growth from Customer A, which amounted to RMB1,009.6 million in the nine months ended September 30, 2025, representing 20.3% of our total revenue for the period, as compared to RMB141.8 million in 2023 and RMB222.4 million in 2024, representing 4.4% and 5.6% of our total revenue for the respective periods, respectively. Revenue growth from Customer A in the nine months ended September 30, 2025 was mainly resulted from increased market demands for power generator sets integrated with our engines, in particular for the data center industry, during such period.

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The following tables set forth the details for each of our five largest customers during the Track Record Period:

Rank	Customer	Type of products purchased from us	Background	Year of commencement of business relationship	Credit terms	Payment methods	Revenue (RMB'000)	Percentage of total revenue %
Year Ended December 31, 2023								
1	GY Entities	Engines and engine components	GY is a private company headquartered in Guangxi Zhuang Autonomous Region founded in 1992 with approximately RMB1,824.8 million in registered capital, through its controlled subsidiaries, GY's businesses include manufacture of engines, logistics and supply chain services and new energy related services. GY Entities are our Related Parties.	2022	60–90 days	bank transfer/ acceptance bill	708,393	21.9
2	Customer A	Engines	A private company headquartered in Shenzhen founded in 2016 with approximately RMB200 million in registered capital, principally engaged in design, development and sales of power generation equipment, as well as electromechanical engineering construction.	2022	90 days or according to the payment schedule between Customers A and its end-user customers	bank transfer/ acceptance bill	141,823	4.4
3	GYMCL Related Parties	Engines and engine components	GYMCL is a joint stock company with limited liability headquartered in Guangxi Zhuang Autonomous Region incorporated in 1992 with approximately RMB473.0 million in registered capital, principally engaged in the design, manufacture, assembly and sales of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment. GYMCL is our Controlling Shareholder, and the GYMCL Related Parties will become our connected persons upon [REDACTED].	2022	60–225 days	bank transfer/ acceptance bill	90,880	2.8
4	Customer B	Engines	A company listed on the Shenzhen Stock Exchange and headquartered in Shanghai founded in 2002 with approximately RMB320 million in registered capital, principally engaged in development, design, production and sales of intelligent eco-friendly power supply equipment.	2022	60 days	bank transfer, acceptance bill/other agreed method	75,123	2.3
5	Customer C	Engines	A private company headquartered in Jiangsu Province founded in 2000 with approximately RMB2,188.8 million in registered capital, principally engaged in manufacture, sales and related technical services of generators and generator sets.	2022	60 days	bank transfer/ acceptance bill	72,495	2.2
Total							1,088,714	33.6

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Rank	Customer	Type of products purchased from us	Background	Year of commencement of business relationship	Credit terms	Payment methods	Revenue (RMB'000)	Percentage of total revenue %
Year Ended December 31, 2024								
1	GY Entities	Engines, power generator sets and engine components	GY is a private company headquartered in Guangxi Zhuang Autonomous Region founded in 1992 with approximately RMB1,824.8 million in registered capital, through its controlled subsidiaries, GY's businesses include manufacture of engines, logistics and supply chain services and new energy related services. GY Entities are our Related Parties.	2022	60–90 days	bank transfer/ acceptance bill	539,418	13.5
2	Customer A	Engines and engine components	A private company headquartered in Shenzhen founded in 2016 with approximately RMB200 million in registered capital, principally engaged in design, development and sales of power generation equipment, as well as electromechanical engineering construction.	2022	3 months	bank transfer/ acceptance bill	222,403	5.6
3	Customer B	Engines	A company listed on the Shenzhen Stock Exchange and headquartered in Shanghai founded in 2002 with approximately RMB320 million in registered capital that principally engages in development, design, production, and sales of intelligent eco-friendly power supply equipment.	2022	60 days	bank transfer/ acceptance bill/other agreed method	154,578	3.9
4	GYMCL Related Parties	Engines and engine components	GYMCL is a joint stock company with limited liability headquartered in Guangxi Zhuang Autonomous Region incorporated in 1992 with approximately RMB473.0 million in registered capital, principally engaged in the design, manufacture, assembly and sales of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment. GYMCL is our Controlling Shareholder, and the GYMCL Related Parties will become our connected persons upon [REDACTED].	2022	60—225 days	bank transfer/ acceptance bill	111,123	2.8
5	MTU Yuchai	Engine components	A private company headquartered in Guangxi Zhuang Autonomous Region founded in 2017 with approximately RMB150 million in registered capital, principally engaged in development, manufacture, sales and related technical services of non-road engines; and a 50–50 joint venture of us and is our Related Party.	2022	60 days	bank transfer/ acceptance bill	108,231	2.7
Total							1,135,753	28.4

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Rank	Customer	Type of products purchased from us	Background	Year of commencement of business relationship	Credit terms	Payment methods	Revenue (RMB'000)	Percentage of total revenue %
Nine Months Ended September 30, 2025								
1	Customer A	Engines and engine components	A private company headquartered in Shenzhen founded in 2016 with approximately RMB200 million in registered capital, principally engaged in design, development and sales of power generation equipment, as well as electromechanical engineering construction.	2022	90 days or according to the payment schedule between Customers A and its end-user customers	bank transfer/ acceptance bill	1,009,626	20.3
2	GY Entities	Engines and engine components	GY is a private company headquartered in Guangxi Zhuang Autonomous Region founded in 1992 with approximately RMB1,824.8 million in registered capital, through its controlled subsidiaries, GY's businesses include manufacture of engines, logistics and supply chain services and new energy related services. GY Entities are our Related Parties.	2022	60–90 days	bank transfer/ acceptance bill	204,697	4.1
3	Customer D	Engines and engine components	A private company headquartered in Guangxi Zhuang Autonomous Region founded in 2020 with approximately RMB5 million in registered capital, principally engaged in manufacture and sales of power generators and power generator sets, new energy prime movers, power distribution switchgear and control equipment.	2022	60 days	bank transfer/ acceptance bill	160,315	3.2
4	Customer E	Engines and engine components	A private company headquartered in Shandong founded in 1999 with approximately RMB107.6 million in registered capital, principally engaged in manufacturing and sales of power generators and power generator sets, specialized environmental protection equipment and industrial robots.	2022	60 days	bank transfer/ acceptance bill	159,709	3.2
5	MTU Yuchai	Engine components	A private company headquartered in Guangxi Zhuang Autonomous Region founded in 2017 with approximately RMB150 million in registered capital, principally engaged in development, manufacture, sales and related technical services of non-road engines; and a 50–50 joint venture of us and is our Related Party.	2022	60 days	bank transfer/ acceptance bill	157,518	3.2
Total							1,691,865	34.1

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The GYMCL Related Parties would become our connected persons upon [REDACTED], and GY Entities and MTU Yuchai are our Related Parties. Save for the abovesaid, as at the Latest Practicable Date, to the best knowledge and belief of our Directors after making reasonable enquiries, our five largest customers during the Track Record Period were Independent Third Parties.

The following tables set forth a breakdown of our revenue attributable to the Independent Customers and Related Parties for the years/periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Revenue								
Independent Customers	2,416,405	74.6	3,241,024	81.0	2,405,959	81.1	4,515,098	90.9
Related Parties	822,603	25.4	758,772	19.0	561,912	18.9	452,101	9.1
GY Entities	708,393	21.9	539,418	13.5	421,527	14.2	204,697	4.1
GYMCL Related Parties	90,880	2.8	111,123	2.8	83,728	2.8	89,886	1.8
MTU Yuchai	23,330	0.7	108,231	2.7	56,657	1.9	157,518	3.2
Total	3,239,008	100.0	3,999,796	100.0	2,967,871	100.0	4,967,199	100.0

During the Track Record Period, revenue attributable to Independent Customers increased from RMB2,416.4 million in 2023 to RMB3,241.0 million in 2024 and from RMB2,406.0 million in the nine months ended September 30, 2024 to RMB4,515.1 million in the nine months ended September 30, 2025, primarily due to increased purchases by Customer A resulting from increased market demands for power generator sets integrated with our engines, in particular in the data center industry as well as our effort to expand our Independent Customer base in the nine months ended September 30, 2025.

During the Track Record Period, revenue attributable to GY Entities decreased significantly from RMB708.4 million in 2023 to RMB539.4 million in 2024 and from RMB421.5 million in the nine months ended September 30, 2024 to RMB204.7 million in the nine months ended September 30, 2025, primarily due to reduced purchases of power generator engines by GY Entities who were OEMs producing power generator sets for specific purposes as a result of changes in specific end-user demands.

During the Track Record Period, revenue attributable to the GYMCL Related Parties increased from RMB90.9 million in 2023 to RMB111.1 million in 2024, primarily because, after we transitioned from in-house production of cylinder block rough castings to sourcing from suppliers primarily including the GYMCL Related Parties in 2024, we sold the remaining work-in-progress rough castings and raw materials to the GYMCL Related Parties.

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During the Track Record Period, revenue attributable to MTU Yuchai increased significantly from RMB23.3 million in 2023 to RMB108.2 million in 2024 and from RMB56.7 million in the nine months ended September 30, 2024 to RMB157.5 million in the nine months ended September 30, 2025, primarily because, beginning in 2024, we started to sell and sold increasing volumes of finished engine components to MTU Yuchai.

As confirmed by our Directors, save for GYMCL, none of the Directors or their respective associates, or any Shareholders of our Company, who own 5% or more of our issued shares, have any interest in any of our five largest customers in each year/period during the Track Record Period.

Pricing

We consider a number of factors in determining the pricing of our products, including the length of our relationship with the customer, level of competition for comparable products, downstream demand, order sizes, manufacturing complexity and costs (including cost of procured components), among other factors. We believe our long-standing relationship, product quality, wide coverage of product applications and unique value propositions to customers help us negotiate for more premium pricing for our products while remaining competitive in the market.

We have adopted pricing policies which prescribe different pricing strategies for different types of engines. For example, for large engines, which feature higher power output, greater technical complexity, higher material and production costs and enjoy robust market demands, we are able to adopt profit-oriented pricing and drive higher value realization. For medium- to light-duty engines, where competition is more intense, the pricing focuses on maintaining and expanding market share.

In addition, while we maintain a uniform pricing structure across all customer types to ensure consistent pricing and to avoid channel conflicts, we also adopt flexible pricing policies considering factors such as customer segments, the strategic importance of products, technological advancements, project competitiveness, costs and target profitability. Pursuant to our pricing policies, we typically charge lower prices for customers with large purchase volumes. From time to time, we may offer discounts and rebates to direct sales customers and distributors on a case by case basis.

We also typically include price adjustment mechanisms for sales of engine components, which allow us to adjust pricing under certain circumstances, such as increased production costs and procurement costs. According to Frost & Sullivan, such price adjustment mechanisms are in line with industry norms.

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Key Terms of Sales Agreements

We typically enter into framework sales agreements with our direct sales customers of finished engines and engine components, under which our customers will enter into individual purchase orders with us. Our sales agreements typically contain the following terms:

Specification	Since our business involves the production of products for customers, we usually set relevant technical parameters in the agreements, which specify certain characteristics of the products to be delivered.
Price	We typically specify the price of each product and service provided to customers in the individual purchase order, including unit price and total price. For engine components, we also specify price adjustment mechanism that gives us more flexibility in pricing.
Payment term	We grant credit period to our customers according to their credit profile and historical performance, with typical credit terms of 30–225 days to eligible customers.
Delivery term	For sales of finished engines, the products are delivered to customers’ designated location, with logistics arranged by either us or customers and the costs and risks borne by customers. For sales of engine components, customers generally take delivery from the location designated by us and bear the costs and risks in the delivery process.
Duration, termination and renewal	The term of framework sales agreements is generally one year. The renewal of framework sales agreements is negotiated on a case-by-case basis.
Minimum purchase requirement	We typically do not set minimum purchase requirements in the framework sales agreements, and the exact purchase amount is specified in the individual sales orders.
Warranty period	For sales of finished engines, we usually offer a warranty period in accordance with applicable regulations. The warranty period usually ranges from one to five years, depending on the product type, during which we bear the cost of product return and provide maintenance service or make modification or replacement free of charge to our customers.

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Confidentiality

For sales of finished engines, we usually set confidentiality clauses in the framework sales agreements with customers, and the period of confidentiality obligations may be extended to after the expiration of the framework sales agreement.

We typically enter into individual sales agreements with our customers of power generator sets.

The major terms of the sales agreements generally include the following:

Specifications

We shall specify in the sales agreement with the relevant customers of the type, specification and quantity for the power generator sets.

Price

We typically specify the price of the power generator sets provided to customers in the sales agreement, including unit price and total price.

Delivery

We arrange transportation to our customers’ designated delivery places and bear the associated delivery costs.

Credit terms and payment method

The credit period and payment method shall be in accordance with the sales agreement. Payments are typically made in installments, with a deposit before delivery followed by post-delivery payments.

Technical support and warranty period

We shall provide technical support and warranty services for our customers during the warranty period. The warranty period is typically one to five years from the date on which the commissioning and testing of the power generator sets are successfully completed.

Termination

Customers may terminate the sales agreement if, among others, (i) our first prototype power generator set fail to satisfy customers’ testing requirements, or the subsequent products do not conform to the first prototype; (ii) we assign the agreement to third parties; (iii) we outsource the production to OEMs without prior approval of the customer; or (iv) product quality or warranty services fail to meet agreed standards and are not remedied within the agreed period.

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Customer Service

We believe that timely and quality customer services are one of the important competitive factors, as they are directly related to customer satisfaction and help in shaping the customer’s purchase decisions.

We are committed to building a professional customer service team and standardized customer service processes to provide high-quality services to our customers and other end users of power generator sets integrated with our engines. We have established a dedicated after-sales customer service team, providing a comprehensive after-sales service system that includes technical support, product commissioning, repair and maintenance, user operation and maintenance training and skills-enhancement training. Our after-sales customer service team is primarily responsible for receiving and addressing customer complaints, conducting product failure analysis and providing after-sales maintenance and technical support.

As of September 30, 2025, we maintained an in-house technical service team of 48 engineers at our headquarters and regional sales centers to provide swift on-site or remote assistance to our customers and other end users. In addition, we have an extensive network of authorized service stations in China and overseas that provide repair and maintenance services, spare parts, retrofitting services and training to our customers and other end users. Operators of our authorized service stations are primarily professional mechanical repair companies and also include some OEMs and distributors. During the Track Record Period, some of our OEM customers and distributors operated service stations and were authorized by us to provide after-sales services for our products. As of September 30, 2025, we had over 1,000 authorized service stations in China and overseas. To ensure a consistently high level of service, our in-house technical service team provide technical and service trainings to technicians of our authorized service stations.

Our customer service program emphasizes a fast turnaround time on repair requests and complaints. We maintain a 24/7 hotline to answer questions and receive repair requests and complaints from our customers and other end users. Upon receiving a repair request or complaint, we will assign an authorized service station to provide on-site assistance at the place of business of the customer or other end user, after which the authorized service station will report and settle its service fee with us on our customer relationship management (CRM) system. For more complex issues, our in-house technical service team will directly intervene to provide fast and effective resolutions to our customers and other end users. We have fully implemented a “6-Hour Closed-Loop” (6小時閉環) service policy with strict time limits. Any service ticket that exceeds the time limit will be escalated for our direct supervision, and upon completion, our customer service representatives will follow-up with the customers or other end users to collect feedbacks on the service quality. During the Track Record Period and as of the Latest Practicable Date, we did not receive any material customer complaints.

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We have also established a comprehensive warranty policy. We assess our ability to achieve quality assurance based on technical specifications. In China, generally we provide (i) a 60-month or 1,800-hour warranty for data-center backup diesel-fueled power generator engines and sets, (ii) a 36-month or 1,500-hour warranty for other backup diesel-fueled power generator engines and sets, (iii) a 24-month, unlimited-hour warranty for prime diesel-fueled power generator engines and sets, (iv) a 24-month, unlimited-hour warranty for diesel-fueled marine engines, and (v) a 24-month warranty for gas-fueled marine engines. For exported diesel-fueled products, we generally provide (i) a 60-month or 1,800-hour warranty for data-center backup diesel-fueled power generator engines and sets, (ii) a 36-month or 1,500-hour warranty for other backup diesel-fueled power generator engines and sets, and (iii) a 12-month, unlimited-hour warranty for prime power generator engines and sets and marine engines. In addition, for gas-fueled prime power generation engines and sets, the warranty is, depending on the models, (i) 18 months from shipment or 12 months from commissioning, whichever occurs first, or (ii) 12 months from shipment or 4,000 operating hours, whichever occurs first. The costs of any warranty-related services or repairs in respect of our products are borne by us, and all non-warranty activities are charged to customers. In relation to our products which are under warranty cover, our authorized service stations perform the routine maintenance checks and repairs on our products free of charge to our customers or other end users, and subsequently report and settle the corresponding costs (including the service fees of the authorized service stations) on our customer relationship (CRM) system with such costs borne by us. Upon expiry of the warranty, our authorized service stations can continue to serve our customers or other end users with the costs borne by the customers or other end users. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant product returns from customers.

TRANSACTIONS WITH THE RELATED PARTIES

During the Track Record Period, we entered into various transactions with the Related Parties, i.e., GY Entities, the GYMCL Related Parties and MTU Yuchai.

Transactions with GY Entities

GY is a substantial shareholder of our Controlling Shareholders, CYI and GYMCL. As of the Latest Practicable Date, GY held approximately 20.09% of the issued share capital of CYI and approximately 22.71% of the issued share capital of GYMCL and did not hold any shares directly in our Company. See “History, Development and Corporate Structure — Relationship between the Company, CYI, HLA and GY Entities — GY” in this document for details.

During the Track Record Period, we primarily sold to GY Entities which were OEMs (i) finished engines and ancillary components for them to assemble such engines into power generator sets for specific purposes to address their customers’ specific demands, as well as power generator sets in an one-off transaction.

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During the Track Record Period, we primarily procured from GY Entities (i) finished engines, including certain heavy-duty engines with lower-rated power, medium- to light-duty engines and marine engines with lower rated power, (ii) engine components, such as connecting rods, main bearing caps and gear case covers, (iii) diesel fuel for R&D and testing of engines to leverage their existing fueling infrastructure adjacent to our production facilities, thereby saving related infrastructure and logistics costs, (iv) logistics services to utilize their established logistics and supply chain network to transport and ship our products to our customers, and (v) scrap metal historically while we produced rough castings in-house before our transition to sourcing from suppliers. See “Reasons for Sourcing Finished Engines from the Related Parties” and “Reasons for Sourcing Components from GY Entities and the GYMCL Related Parties” in this sub-section for details. We have also leased from GY Entities a parcel of land for storage and research and development uses and certain properties used as offices.

Transactions with the GYMCL Related Parties

GYMCL is one of our Controlling Shareholders. See “History, Development and Corporate Structure — Relationship between the Company, CYI, HLA and GY Entities — GYMCL” in this document for details.

During the Track Record Period, we primarily sold or provided to the GYMCL Related Parties (i) finished engines, including (x) for their distribution of specific series of finished engines, modified according to GYMCL’s specifications for use on mining trucks, to their customers in such market to address their specific demand, (y) for distribution to overseas markets, and (z) in an one-off transaction for the relevant GYMCL Related Party’s own business operations, (ii) engine components to utilize their extensive nationwide warehouse network to facilitate the efficient delivery of such components to our chain of authorized service stations to provide after-sales services to our customers and other end users on a timely manner, (iii) general engine components for their production and testing of engines, primarily during inventory shortage and urgent delivery timeline and when certain accessory parts were not sold separately by other suppliers, (iv) rough castings before our transition from in-house production of rough castings to sourcing from suppliers primarily including the GYMCL Related Parties, and after such transition, the remaining work-in-progress rough castings and raw materials, and certain production facilities and casting equipment by leasing, as we no longer performed rough casting, and (v) R&D services (the relevant intellectual properties so developed were purchased by us as mentioned below), machining services, and engine testing services for finished engines they procured from us but do not have the relevant testing facilities.

During the Track Record Period, we primarily procured from the GYMCL Related Parties (i) engine components, such as cylinder block rough castings, cylinder head rough castings, cylinder blocks for our YC6MJ series and YC6MK series engines, crankshafts, exhaust pipes and fuel injection pumps, and (ii) finished engines, including certain medium- to light-duty engines and marine engines with lower rated power. See “Reasons for Sourcing Finished Engines from the Related Parties” and “Reasons for Sourcing Components from GY Entities and the GYMCL Related Parties” in this sub-section for details. In addition, we also procured from the GYMCL Related Parties (x) certain IT equipment and certain intangible assets, such as intellectual properties

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we developed for the GYMCL Related Parties historically and software for use in our operations, (y) engine testing services for finished engines we procured from them but do not have the relevant testing facilities, mold development services and quality inspection services for engine components, and (z) utilities, brand management and shared services and certain other ancillary services. We have also leased from the GYMCL Related Parties premises primarily comprising of factories and research space for our production and research and development uses.

Members of the GYMCL Related Parties will become our connected persons upon [REDACTED]. Certain of the abovementioned transactions will continue after the [REDACTED] and therefore constitute our continuing connected transactions under the Listing Rules. See “Connected Transactions” in this document for further background and reasons of such transactions.

Transactions with MTU Yuchai

MTU Yuchai is our 50–50 joint venture with Rolls-Royce. See “Joint Venture with Rolls-Royce” in this section for details.

During the Track Record Period, we initially performed machining of rough castings for certain engine parts and components, primarily cylinder blocks and cylinder heads, to MTU Yuchai. As MTU Yuchai adopted a local sourcing strategy for components, we transitioned to supplying finished engine components to MTU Yuchai directly. We also provided certain engine testing services to MTU Yuchai. Such arrangements enabled efficient capacity utilization on our side while supporting MTU Yuchai’s cost reduction strategy through localization of components and quality requirements.

During the Track Record Period, we sourced *mtu* branded engines produced by MTU Yuchai for sales to our customers. See “Reasons for Sourcing Finished Engines from the Related Parties” in this sub-section for details.

Reasons for Sourcing Finished Engines from the Related Parties

We sourced and will continue sourcing *mtu* branded engines produced by MTU Yuchai. Through our sales of engines produced by MTU Yuchai, we can leverage MTU Yuchai’s products and brand strengths. Through this dual-brand strategy, we are able to address the differentiated needs and preferences of customers.

We have sourced and will continue to source certain finished heavy-duty engines with lower rated power, medium- to light-duty engines and marine engines with lower rated power from GY Entities and the GYMCL Related Parties. This is because our R&D and production strategy prioritizes higher-power, larger-displacement engines which generally generate higher margins. Accordingly our production lines are engineered around such engines and are not readily adaptable to lower-power, smaller-displacement engines. While we concentrate our internal resources and capacity on developing and producing higher-power engines with generally higher margins, we need to complement our higher-power engine offerings with other engine products to provide customers with a comprehensive product portfolio with broad power-output coverage, to address

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existing market demand, and to strengthen our market position. Therefore, we source certain heavy-duty engines with lower rated power, medium- and small-duty engines and marine engines with lower rated power externally from GY Entities and the GYMCL Related Parties. GY Entities and the GYMCL Related Parties focus on developing and producing engines for various applications such as trucks, buses, pickups, and construction and agricultural equipment, which generally fall within lower rated power and smaller-displacement ranges. Therefore, they maintain dedicated production lines suitable for engines in such ranges, and can also produce such engines for power generation and marine applications. We require GY Entities and the GYMCL Related Parties to manufacture the relevant engines in accordance with our technical specifications that have undergone our technical review process. Given our long-standing relationship with GY Entities and the GYMCL Related Parties, they are familiar with our business needs and quality specifications and are therefore better positioned to supply engines that meet our requirements compared with other third-party suppliers. In addition, as their engine products are also “Yuchai” branded, incorporating their engines into our product portfolio also supports portfolio brand consistency and enhances “Yuchai” brand synergy and influence, which benefits both us as well as GY Entities and the GYMCL Related Parties. Such arrangements also enable GY Entities and the GYMCL Related Parties to leverage our extensive sales networks in the power generation and vessel transportation and operation sectors. GYMCL is our immediate Controlling Shareholder. To ensure that competition will not develop between the GYMCL Related Parties (on the one hand) and our Group (on the other hand) in the future, GYMCL will provide certain undertaking to our Company. See “Relationship with Our Controlling Shareholders — Delineation of Businesses — Deed of Non-Competition” in this document for further details.

Reasons for Sourcing Components from GY Entities and the GYMCL Related Parties

During the Track Record Period, we sourced certain components from GY Entities and the GYMCL Related Parties because they were qualified suppliers for such components with demonstrated cost efficiency. In particular, during the Track Record Period, the GYMCL Related Parties were our limited source of suppliers for components such as cylinder block rough castings, cylinder head rough castings and cylinder blocks for certain specific engine series, and we procured substantially all such components primarily from them. We chose to source such rough castings from suppliers as they have better economies of scale in manufacturing such components, while we can focus our efforts in more complex machining part of the production process. We source such components from the GYMCL Related Parties because they operate specialized and dedicated casting and other production facilities that can produce rough castings and the cylinder blocks for specific series we require with economies of scale and enhanced production efficiency thereby supporting greater cost effectiveness. Our Directors are of the view that this arrangement will not affect the operations of our business because we have maintained a good and stable relationship with the GYMCL Related Parties, and the risk of the GYMCL Related Parties terminating the supply of such components to us is remote. In addition, according to Frost & Sullivan, there are other alternative suppliers in the market which can supply comparable components in comparable quantities. Therefore, our Directors believe that we do not have any material difficulty in procuring such components from alternative suppliers at comparable terms and quantities. See “Risk Factors

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— Risks Relating to Our Business and Industry — We are dependent on our suppliers, some of which are our single-source or limited-source suppliers, for the components they supply” in this document for details.

During the Track Record Period, to the extent the Related Parties acted as our component and engine suppliers, we also charged the Related Parties repair service fees for repairing, replacing or otherwise remediating defects in components they supplied to us, and on the same basis as we charged our other suppliers.

Our Directors believe that our transactions with the Related Parties reflects a strategic, arm’s length collaboration between us and the Related Parties and is mutually beneficial. In view of the long-standing business relationship between us and the Related Parties, our Directors currently do not expect any material adverse change in such relationship and the risk of termination of the relationship is remote. Due to such transactions, the Related Parties were our major customers and suppliers during the Track Record Period. See “Overlapping of Customers and Suppliers” in this section for details.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, some of our five largest customers in each year/period during the Track Record Period were also our suppliers, and some of our five largest suppliers in each year/period during the Track Record Period were also our customers.

GY Entities

GY Entities were among our five largest customers and among our five largest suppliers in 2023, 2024 and the nine months ended September 30, 2025. See “Transactions with the Related Parties — Transactions with GY Entities” in this section for details of our transactions with GY Entities and the reasons therefor.

GYMCL Related Parties

GYMCL Related Parties were among our five largest customers in 2023 and 2024 and our customer in the nine months ended September 30, 2025 and one of our five largest suppliers in 2023, 2024 and the nine months ended September 30, 2025. See “Transactions with the Related Parties — Transactions with the GYMCL Related Parties” in this section for details of our transactions with the GYMCL Related Parties and the reasons therefor.

MTU Yuchai

MTU Yuchai was one of our five largest customers in 2024 and the nine months ended September 30, 2025 and our customer in 2023, and one of our five largest suppliers in 2023, 2024 and the nine months ended September 30, 2025. See “Transactions with the Related Parties — Transactions with MTU Yuchai” in this section for details of our transactions with MTU Yuchai and the reasons therefor.

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Customer A, Customer D and Customer E

Customer A was one of our five largest customers and our supplier in 2023, 2024 and the nine months ended September 30, 2025. Customer D was one of our five largest customers in the nine months ended September 30, 2025 and our supplier in 2023, 2024 and the nine months ended September 30, 2025. Customer E was one of our five largest customers in the nine months ended September 30, 2025 and our supplier in 2024 and the nine months ended September 30, 2025. Customer A, Customer D and Customer E are our OEM customers who purchased power generator engines from us for them to assemble the engines into power generator sets and sell to their customers. During the Track Record Period, we also purchased power generator sets integrated with our engines from them for further sales to our customers. The reason for such arrangements was because our in-house capacity for assembling power generator sets was constrained, while market demand for power generator sets integrated with our engines increased substantially during the Track Record Period. Leveraging the set integration capabilities of Customer A, Customer D and Customer E enabled us to fulfill customer orders in a timely manner, maintain product quality and delivery reliability, and allocate our internal resources to our core engine manufacturing operations.

Customer B

Customer B was one of our five largest customers in 2023 and 2024 and our customer in the nine months ended September 30, 2025, and our supplier in 2024. Customer B is our OEM customer purchasing our power generator engines, and operates a service station authorized by us to provide after-sales services to our customers and end users, for which we pay the corresponding costs (including the service fee) to it.

Supplier A

Supplier A was one of our five largest suppliers in 2023, 2024 and the nine months ended September 30, 2025 and our customers in 2023 and 2024. Supplier A is our component supplier. We charged it repair service fees for repairing, replacing or otherwise remediating defects in components it supplied to us.

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The table below sets forth the revenue and purchase attributable to our overlapping customer-suppliers during the Track Record Period:

Customer/Supplier	Period	Revenue	% of Total	Purchase	% of Total
		Amount	Revenue	Amount	Purchase
		(RMB'000)	(%)	(RMB'000)	(%)
GY Entities	FY2023	708,393	21.9	563,689	20.1
	FY2024	539,418	13.5	626,825	17.5
	9M2025	204,697	4.1	655,935	15.8
GYMCL Related Parties	FY2023	90,880	2.8	381,375	13.6
	FY2024	111,123	2.8	514,350	14.4
	9M2025	89,885	1.8	453,766	10.9
MTU Yuchai	FY2023	23,330	0.7	191,014	6.8
	FY2024	108,231	2.7	256,627	7.2
	9M2025	157,518	3.2	260,501	6.3
Customer A	FY2023	141,823	4.4	1,399	0.0
	FY2024	222,403	5.6	979	0.0
	9M2025	1,009,626	20.3	9,103	0.2
Customer D	FY2023	53,876	1.7	7,093	0.3
	FY2024	71,635	1.8	5,782	0.2
	9M2025	160,315	3.2	1,836	0.0
Customer E	FY2023	64,059	2.0	—	0.0
	FY2024	65,068	1.6	35	0.0
	9M2025	159,709	3.2	2,169	0.1
Customer B	FY2023	75,123	2.3	—	0.0
	FY2024	154,578	3.9	430	0.0
	9M2025	110,161	2.2	—	0.0
Supplier A	FY2023	475	0.0	105,835	3.8
	FY2024	2,684	0.1	101,800	2.8
	9M2025	—	0.0	123,340	3.0

In addition to the abovementioned customer-suppliers, there were other overlapping customer-suppliers (“**Other Overlapping Customer-Suppliers**”) during the Track Record Period.

During the Track Record Period, Other Overlapping Customer-Suppliers who were primarily our customers were mainly OEM customers that purchased power generator engines from us. Such customers were also our suppliers primarily because (i) they were qualified suppliers of components used in the assembly of power generator sets, and we procured such components from them for our in-house assembly of power generator sets, in particular when certain other component suppliers cannot meet the delivery timeline, (ii) from time to time we procured certain power generator sets from them for inventory in anticipation of customer demand, and/or (iii) they also operated service stations providing after-sales services to their customers, i.e., end users of power generator sets including those integrated with engines they purchased from us, and were authorized by us to provide after-sales services in respect of our engines to ensure timely support for such end users; accordingly, we reimbursed them the associated warranty-related service fees and costs from time to time. In each year/period during the Track Record Period, our purchases from such customers accounted for less than 1.5% of our total purchases during the corresponding year/period.

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During the Track Record Period, Other Overlapping Customer-Suppliers who were primarily our suppliers were mainly our component suppliers. Such suppliers were also our customers primarily because (i) they occasionally purchased power generator sets from us for their own business operations, and (ii) we charged them repair service fees for repairing, replacing or otherwise remediating defects in components they supplied to us. Overlapping Customer-Suppliers who were primarily our suppliers also included certain operators of our authorized service stations, to which we reimbursed warranty-related service fees and costs; and they purchased engine components from us from time to time to provide after-sales services to end users. In each year/period during the Track Record Period, our sales to such suppliers accounted for less than 1.0% of our total revenue for the corresponding year/period.

According to Frost & Sullivan, it is common in our industry for all participants along the value chain, such as component suppliers, engine manufacturers and OEMs, to operate across the chain and utilize each other’s manufacturing capabilities, which enables flexible, cost-efficient and timely supply, including during capacity constraints or demand surges. It is also common for component suppliers to purchase finished products from their downstream manufacturers for their own use, and for OEMs to operate service stations to provide after-sales services to end users.

Our Directors confirmed that (i) negotiations of the terms of our sales and purchases from our customer-suppliers were conducted on a transaction-by-transaction basis and the sales and purchases were neither inter-connected nor inter-conditional with each other; (ii) all of our sales to and purchases from our customer-suppliers were conducted in the ordinary course of business under normal commercial terms and on arm’s length basis; and (iii) the terms of transactions with our customer-suppliers are in line with those transactions with our other customers and suppliers.

THIRD PARTY PAYMENT

Background

During the Track Record Period, certain of our customers (the “**Relevant Customer(s)**”) settled their payments with us through third-party payers (such payer(s), the “**Third-Party Payer(s)**,” and such arrangement(s), the “**Third-Party Payment Arrangement(s)**”). In 2023, 2024 and the nine months ended September 30, 2025, the number of Relevant Customers amounted to six, 12 and 15, respectively. The aggregate amount of third-party payments (the “**Third-Party Payments**”) we received from Third-Party Payers was RMB49.3 million, RMB60.6 million and RMB46.6 million, which respectively accounted for 1.5%, 1.5% and 0.9% of our total revenue in 2023, 2024 and the nine months ended September 30, 2025. Since January 1, 2026, we had ceased to allow our customers to settle payments through Third-Party Payers.

During the Track Record Period and up to the Latest Practicable Date, we had not initiated any Third-Party Payment Arrangements, but only accepted the Third-Party Payments paid by the Third-Party Payers at the request of the Relevant Customers. In addition, during the Track Record Period and up to the Latest Practicable Date, we had not provided any discount, commission, rebate or other benefits to any of the Relevant Customers or the Third-Party Payers to facilitate or encourage the Third-Party Payment Arrangements. The payment, the pricing terms and other general commercial terms of the Relevant Customers are generally the same as our other customers.

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As advised by our PRC Legal Advisor, (i) the Third-Party Payment Arrangements by themselves do not contravene or circumvent the applicable laws and regulations in the PRC (including anti-money laundering laws) in any material aspect, provided that the receipt of payment was performed solely as the settlement of sales of goods or services and not related to any criminal or illegal proceeds or gains; and (ii) based on the credit reference reports issued by Guangxi Zhuang Autonomous Region Development and Reform Commission in relation to our Company, no administrative penalties were imposed by tax authorities for violation of tax laws, regulations or rules due to our Third-Party Payment Arrangements during the Track Record Period.

As advised by our PRC Legal Advisor, the Third-Party Payment Arrangements would not be deemed as constituting the crime of money laundering specified in Article 191 of the Chinese Criminal Law. According to Article 191, money laundering involves actions to conceal or disguise the origins and nature of proceeds from crimes such as drug offenses, organized crime, terrorist activities, smuggling, corruption, financial management disruption, and financial fraud. To the best knowledge of our Directors after making reasonable inquiries, during the Track Record Period and up to the Latest Practicable Date, (i) all the Third-Party Payments were related to genuine transactions between us and the Relevant Customers and were made by bank transfers or acceptance bills; (ii) the amount of Third-Party Payments received by us from Third-Party Payers corresponded with the transaction amount in the relevant sales orders, records and/or invoices between the Relevant Customers and us; (iii) all relevant transactions involving Third-Party Payments were completed with the agreed-upon amount being settled as specified in respective agreements; (iv) we have not encountered any incidents demanding us to return payment in relation to relevant transactions; and (v) nothing came to our attention that would cause our Directors to doubt the genuineness of relevant transactions or the good faith of relevant parties involved. Based on the analysis above, our PRC Legal Advisor is of the view that the risk of money laundering related to the Third-party Payment Arrangements is remote. During the Track Record Period and up to the Latest Practicable Date, as confirmed by our Directors, (i) we had not encountered any disputes with, nor received any refund request or claim from, any Relevant Customer or Third-Party Payer or their respective liquidators; and (ii) we had not been subject to any disputes or administrative penalties by the relevant government authorities (including tax authorities) with respect to the Third-Party Payment Arrangements.

Reasons for Utilizing Third-Party Payment Arrangements

During the Track Record Period, the Third-Party Payers generally comprised (i) affiliates of Relevant Customers, such as entities within the same group or under common control with the Relevant Customers and shareholders of the Relevant Customers, and (ii) entities that had existing business relationship with the Relevant Customers. We accepted the Third-Party Payment Arrangements to accommodate customers’ requests and facilitate our collection of trade receivables. To the best knowledge of our Directors, the main reasons for the Relevant Customers to utilize Third-Party Payment Arrangements are, among others, to facilitate their centralized management and control of funds within their corporate groups and to streamline funds settlement (in particular, in cases of liquidity constraints) and to avoid delivery delays.

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Internal Control Measures for Third-Party Payment Arrangements

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our internal control system. To safeguard our Group’s interest against risks associated with Third-Party Payment Arrangements, the following internal control measures have been adopted by our Group:

- (1) Since January 1, 2026, we have ceased all Third-Party Payment Arrangements;
- (2) We circulated notice internally to alert and inform relevant staff members of requirements on identification of, and prohibition on accepting, Third-Party Payment Arrangements;
- (3) Our finance department is responsible for maintaining a receipt settlement management ledger, which records, among other information, the customer’s name, content of transaction, payment data, payment sum, payment method and the payer’s name, so as to ensure that relevant payments are made directly by the relevant customer;
- (4) Since January 1, 2026, for all identified payments made by the Third-Party Payers, we will initiate refund to such Third-Party Payers and ask the relevant customers to re-arrange direct payment to us or enter into a third-party payment agreement with us.

Considering that our revenue generated from Third-Party Payment Arrangements as a percentage of our total revenue was immaterial, our Directors confirm that the cessation of the Third-Party Payment Arrangements would not have any material adverse impact on our business, financial conditions or results of operations.

See “Risk Factors — Risks Relating to Our Business and Industry — We are subject to various risks relating to third-party payments” in this document.

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

We maintain our own warehouses for the storage of our inventories, including components, finished engines and power generator sets. As of the Latest Practicable Date, we had seven warehouses in Yulin City of the Guangxi Zhuang Autonomous Region of China in proximity to our production facilities located in the area. These seven warehouses with a total area of approximately 18,440 sq.m. were leased by us. We outsource the operation of these warehouses to third-party warehousing service providers. In addition, as of the Latest Practicable Date, we had four warehouses for the storage of finished engine products. Each of these four warehouses is in a different region in China, including Fushun City of Liaoning Province, Xi’an City of Shaanxi Province, Yangzhou City of Jiangsu Province and Fu’an City of Fujian Province. These four warehouses with a total area of approximately 7,375 sq.m. were leased by us. Each of these four warehouses serves as a delivery hub for the shipment and delivery of our engine products to customers in the relevant region covered by such warehouse.

We use logistics service providers for the transportation and shipment of our products and other inventories.

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To effectively manage our inventories, we employ strict control policies and utilize an inventory management system that allows us to adjust our inventory levels based on existing orders and projected sales. Through effective inventory management, we aim to reduce supply chain risks and enhance our ability to respond to market changes. As part of our inventory management strategy, we generally maintain the inventory at a level that is sufficient to cover the total sales of regular models of engine and power generator set products for the next one to two months. We set and apply this as a safety level for our ongoing monitoring and management of inventories. With respect to specially customized models of engines and power generator sets, we procure and stock inventories pursuant to the relevant purchase orders from customers. We generally review, assess and make necessary adjustments to the level of our inventories, on a monthly basis, based on the inputs from various departments, including mainly those in charge of sales, procurement and production. We also carry out on-site inventory audit and inspection annually.

In addition, we closely monitor the long-aged and slow-moving inventories, including components that are in storage for more than a year. We periodically review and decide on appropriate solutions to or treatment of obsolete and slow-moving inventories. For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, our inventory turnover days were 185 days, 168 days and 114 days, respectively.

INFORMATION TECHNOLOGY

We utilize a number of information technology systems to manage all aspects of our operations, including but not limited to sales management, material procurement, production, quality control, inventory management, financial reporting and human resources. The following information technology systems are the most critical to our business among our collective integrated information systems:

ERP system

Our enterprise resource planning (ERP) system serves as the core enterprise resource planning platform, integrating master data management, sales operations, procurement activities, warehouse inventory control, production planning, and financial and cost accounting. It enhances cross-departmental coordination, improves operational efficiency and supports informed decision-making across the Group.

Teamcenter product data management system

The Teamcenter product data management system provides robust control over engineering data, including components and engineering bill of materials (EBOM) management, drawing and document control, and management processes control, ensuring data integrity and traceability throughout the product life cycle.

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CRM system	Our customer relationship management (CRM) system for after-sales service enables comprehensive management of service networks, service requests, order execution, expense tracking, settlements and warranty claims, thereby strengthening customer support and service quality.
SRM system	Our supplier relationship management (SRM) system facilitates seamless collaboration with suppliers, covering procurement order synchronization, inquiries and quotations and invoice processing to optimize supply chain efficiency
MES system	Our manufacturing execution system (MES) provides real-time monitoring and control of production activities, including order reception, work order allocation, sequenced parts supply (SPS) cart management, data collection, production completion reporting, workstation operations and anomaly feedback. It helps enhance production efficiency, reduce operational errors and improve overall product quality.
SKY Marketing Management Platform	Our SKY platform supports the front-end sales process by managing business opportunity leads, letter of intent, application planning and order reviews, enabling more effective tracking and conversion of sales opportunities.
OA system	Our office automation (OA) system streamlines internal administrative processes, supporting document transmission and receipt, electronic announcements, meeting management, regulatory and institutional compliance, business workflows and integrated email services.

JOINT VENTURE WITH ROLLS-ROYCE

We hold a 50% equity interest in MTU Yuchai. MTU Yuchai is a 50–50 joint venture established pursuant to the joint venture agreement between our parent and immediate Controlling Shareholder GYMCL and Rolls-Royce, a subsidiary of Rolls-Royce Power Systems AG, in 2017 for the production, under license from Rolls-Royce and subject to the terms and conditions of such license, of *mtu* branded diesel engines in China. On December 22, 2022, GYMCL transferred its 50% equity interest in MTU Yuchai to our Company. See “History, Development and Corporate Structure — Our Subsidiaries and Joint Venture — MTU Yuchai” in this document for details.

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Pursuant to the amended and restated joint venture agreement dated July 31, 2024 between our Company and Rolls-Royce, each of our Company and Rolls-Royce has contributed RMB75 million to the registered capital of MTU Yuchai. Rolls-Royce also licenses the usage right of **mtu** brand name and trademarks to MTU Yuchai subject to the terms and conditions of such license.

During the Track Record Period, we initially performed machining of rough castings for certain engine components, primarily cylinder blocks and cylinder heads, to MTU Yuchai. As MTU Yuchai adopted a local sourcing strategy for components, we transitioned to supplying those finished engine components to MTU Yuchai directly. We provide MTU Yuchai with engine components pursuant to a supply agreement between us and MTU Yuchai. Such agreement shall remain effective until terminated in accordance therewith. The prices of the engine components are set out in a price list to be reviewed annually and agreed upon by both parties, subject to a specified price adjustment mechanism. There is no minimum purchase quantity under the supply agreement. The supply agreement may be terminated, among others, upon an uncured material breach.

During the Track Record Period, we sourced **mtu** branded engines produced by MTU Yuchai for sales to our customers through our subsidiary, Yuchai Deyou, by order.

See “Transactions with the Related Parties — Transactions with MTU Yuchai” in this section for further details.

We believe that we have been able to enhance the value and image of our own brand, in particular, in the market segment for high-end engines as we partner, through the joint venture, with Rolls-Royce. Such joint venture has also enabled us to broaden our product offerings to potential customers who may elect to order engines produced by MTU Yuchai and marketed and sold under the brand name of **mtu**.

PROPERTIES

As of the Latest Practicable Date, we did not own any properties but leased certain properties in China. According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of September 30, 2025, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets.

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Our headquarter and principal place of business is in Yulin City, Guangxi Zhuang Autonomous Region. As of the Latest Practicable Date, our primary leases included (i) one parcel of land in Yulin leased from GY Entities with a site area of approximately 9,046.4 sq.m., for storage and research and development purposes (the “**Leased Land**”), (ii) certain properties in Yulin with an aggregate gross floor area of 157,606.8 sq.m. on eight parcels of land under four lease agreements, including (x) properties leased from GY Entities with an aggregate gross floor area of 2,441.3 sq.m. on one parcel of land under one lease agreement, used as offices, (y) properties leased from the GYMCL Related Parties with an aggregate gross floor area of 146,053.9 sq.m. on six parcels of land under two lease agreements, used as research space and production facilities, and (z) properties leased from an Independent Third Party with an aggregate gross floor area of 9,111.6 sq.m. on one parcel of land under one lease agreement, used as production facilities, and (iii) one property in Yangzhou City, Jiangsu Province with an aggregate gross floor area of 4,000 sq.m. leased from an Independent Third Party, used as warehouse ((ii) and (iii) collectively, the “**Main Leased Properties**”). We also leased certain other properties outside Yulin used as warehouse, employee dormitory and offices.

Pursuant to the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (2020 Amendments) (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例(2020修訂)》) (“**Regulations Concerning the Grant and Assignment of the Right to Use State-owned Land**”), the lease of allocated land and any property built thereon should be approved by the local land administrative authority and housing administrative authority. As of the Latest Practicable Date, the Leased Land and three out of eight land parcels in Yulin with an aggregate gross floor area of 111,253.2 sq.m. were allocated land, the leasing of the Leased Land and the properties built on such three land parcels had not obtained valid approvals from the local land and housing administrative authorities. As per the Regulations Concerning the Grant and Assignment of the Right to Use State-owned Land, allocated land or properties built thereon may not be transferred, leased, or mortgaged, unless, among others, title proof documents of the relevant properties have been obtained and the assignment agreements have been entered into with the assignment fees thereof be paid to the state. Otherwise, the land administrative authority may confiscate the illegal income and impose a fine on the entity or individual who transfers, leases or mortgages such allocated land without approval. We have obtained (i) a confirmation letter dated December 29, 2025 from the Yulin Housing and Urban-Rural Development Bureau (玉林市住房和城鄉建設局) (the “**Housing and Urban-Rural Development Letter**”), being the competent local housing administrative authority, confirming that the relevant lessors can continue to lease such land and the properties thereon to us and we can continue to use such land and properties on an as-is basis, and (2) a confirmation letter dated December 30, 2025, from the Yulin Natural Resources Bureau (玉林市自然資源局) (the “**Natural Resources Bureau Letter**”), being the competent local land administrative authority, confirming that the relevant lessors can lease the relevant land to us for production, research and development, storage, office and other uses, and we can use such land as usual. As confirmed by our Directors, if we cannot continue to use the relevant land and properties, we are able to relocate to alternative premises within a reasonable period of time under comparable terms without incurring substantial additional costs, and based on the Housing and Urban-Rural Development Letter, the Natural

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Resources Bureau Letter and the confirmations from the relevant lessors, our Directors believe that and as advised by our PRC Legal Advisor, there will not be any material adverse impact on our business operations.

As of the Latest Practicable Date, we had not been provided by the relevant lessors with valid title certificates for the Leased Land and for the leased properties with an aggregate gross floor area of 155,165.49 sq.m. located on seven out of eight land parcels in Yulin (including all of the allocated land mentioned in the preceding paragraph). Such properties are generally used by us as production facilities and research and development space. If the lessors’ rights with respect to any of such properties were successfully challenged, we may be forced to relocate our operations conducted on the affected properties. Based on the Housing and Urban-Rural Development Letter and the Natural Resources Bureau Letter, we can continue to use the Leased Land and the properties located on such seven land parcels as usual on an as-is basis. During the Track Record Period, we had not been subject to any penalties by the competent authorities arising from the use of the relevant properties and there are no litigations or arbitrations in connection with the relevant leased properties. Therefore, based on the Housing and Urban-Rural Development Letter, the Natural Resources Bureau Letter, our Directors believe that and as advised by our PRC Legal Advisor, the lack of valid title certificates for the Leased Land and relevant leased properties does not have any material adverse impact on our business operations.

Pursuant to the applicable PRC laws and regulations, both lessors and lessees must register lease agreements with the relevant authorities and obtain property leasing filing certificates. As of the Latest Practicable Date, all of the lease agreements of our Main Leased Properties had not been registered. As advised by our PRC Legal Advisor, non-registration of our lease agreements does not affect the validity of the relevant lease agreements, but the relevant PRC governmental authorities may order us or the lessors to register the lease agreements within a prescribed time limit. Failure to do so within the time limit specified by the relevant authorities could result in fines ranging from RMB1,000 to RMB10,000 per lease agreement. If such fines are imposed, the maximum penalty we may be required to pay would be approximately RMB50,000 for the above five unregistered lease agreements. During the Track Record Period, we had not been subject to any penalties by the housing administrative authority or other relevant authorities arising from the non-registration of our lease agreements.

In addition, as of the Latest Practicable Date, we had constructed a temporary storage shed (with an aggregate gross floor area of approximately 875 sq.m.) and a foundry ancillary room (with an aggregate gross floor area of approximately 520 sq.m.) for which no prior approval had been obtained from the Yulin Natural Resources Bureau, the competent local authority. According to the Natural Resources Bureau Letter, we are permitted to continue to use such temporary storage shed and foundry ancillary room on an as-is basis, provided that safety is ensured. During the Track Record Period, we had not been subject to any penalties by the Yulin Natural Resources Bureau. As confirmed by our Directors, the temporary storage shed and the foundry ancillary room are not material to our production and business operations, and if we cannot continue to use such facilities, we are able to relocate to alternative premises within a short period of time without incurring substantial additional costs.

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In addition, GYMCL, our Controlling Shareholder, has undertaken to indemnify us if we were to incur any reasonable costs, charges, expenses, penalties and other liabilities in connection with the abovementioned legal defects. See “Statutory and General Information — Indemnities” in Appendix IV to this document.

Based on the above, our Directors believe that and as advised by our PRC Legal Advisor, the legal defects mentioned above are unlikely to have a material adverse effect on our business operations or financial performance.

COMPLIANCE AND LEGAL PROCEEDINGS

Compliance with Laws and Regulations

We are subject to a wide range of PRC laws and regulations in the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties which individually or in the aggregate, in the opinion of our Directors, would have a material and adverse effect on our business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable PRC laws and regulations in all material respects.

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, financial condition, results of operations, reputation or compliance.

From time to time, we may be involved in legal proceedings, investigations, administrative penalties or other claims or disputes arising in the ordinary course of our business. See “Risk Factors — Risks Relating to Our Business and Industry — We may, from time to time, be involved in legal or administrative proceedings in the ordinary course of our business” in this document for details.

BUSINESS ACTIVITIES RELATING TO RELEVANT COUNTRIES AND U.S. EXPORT CONTROL COMPLIANCE

Sanction Risks

The U.S. and other jurisdiction or organizations, including the European Union, the United Nations, the United Kingdom and Australia, have, through executive order, passing of legislation or other governmental means, implemented International Sanctions targeting entities and individuals including Sanctioned Targets, entities and individuals that are nationals of or located in certain Sanctioned Countries, and entities and individuals that are associated with certain industries or sectors in specific countries.

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During the Track Record Period, we directly sold our power generator engines, marine engines and other ancillary products to customers located in Turkey and Iraq, and to the best of our Company’s knowledge, may have had indirect sales involving end-users located in Russia (excluding the Crimea, LPR or DPR regions). Russia, Turkey and Iraq are not currently subject to comprehensive U.S. economic sanctions, but a significant number of entities, individuals, and industries in Russia, Turkey and Iraq are subject to U.S. economic sanctions.

U.S. Sanctions

Primary Sanctions risk

U.S. primary sanctions apply principally to U.S. persons and to non-U.S. persons only where a sufficient U.S. jurisdictional nexus exists, such as transactions involving U.S. persons, U.S.-origin goods or technology, U.S. dollar clearing through the U.S. financial system, or activities conducted in whole or in part within the United States.

Under the U.S. sanctions framework, Turkey and Iraq are subject to list-based or targeted sanctions regimes, rather than comprehensive country-wide sanctions. During the Track Record Period, we directly sold our power generator engines, marine engines and other ancillary products to customers located in Turkey and Iraq. For the years ended December 31, 2023, and 2024, and the nine months ended September 30, 2025, the revenue received by our Group from the sales of products to companies or individuals in Turkey and Iraq was RMB25.2 million, RMB36.7 million and RMB50.4 million, respectively, which amounted to 0.8%, 0.9% and 1.0% of the total revenue of our Company for the corresponding periods, respectively. Although certain transactions were denominated and settled in U.S. dollars, none of our Group’s counterparties in these regions are Sanctioned Targets. While the use of U.S. dollar clearing systems theoretically invokes U.S. jurisdiction, our International Sanctions Legal Advisor is of the view that such transactions do not pose a risk of triggering Primary Sanctions, as the underlying parties and activities are not subject to such restrictive measures.

U.S. Primary Sanctions against Russia generally prohibit U.S. Persons (including entities and individuals) from engaging in, or non-U.S. Persons from causing a violation by facilitating, any transactions or dealings that involve blocked persons (SDNs), restricted sectors of the Russian economy, or a U.S. nexus, which includes the use of the U.S. financial system or U.S.-origin goods and technologies. During the Track Record Period, our Group did not engage in any direct transactions with Russian counterparties.

Regarding our indirect exposure to Russia, our International Sanctions Legal Advisor, based on the information provided and procedures they considered appropriate, advised that such activities do not give rise to U.S. Primary Sanctions implications and there is no factual indication that our activities fall within the scope of U.S. Primary Sanctions under currently available information.

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Secondary Sanctions risk

The U.S. has enacted Secondary Sanctions targeting non-U.S. persons who are engaged in dealings with certain types of sectors in Russia. U.S. Secondary Sanctions may be imposed on non-U.S. persons who are determined to have knowingly engaged in significant transactions with Sanctioned Targets or to have “operated in” certain sanctioned sectors of the Russian economy or constitute “material assistance” to any sanctioned parties under applicable executive order.

To the best of our knowledge, information and belief, we did not engage in any direct transactions with Russian counterparties or any entities located in Russia during the Track Record Period. Any indirect exposure to Russia arose, if at all, exclusively from downstream transactions involving our commercial-use products supplied to non-designated counterparties. Specifically, based on our assessment and understanding of our distributors’ purchasing patterns, we believe that any indirect sales to Russia, to the extent they may have occurred, represented only a minor portion of our distributors’ purchases from us and were limited to a small number of distributors. To the best of our knowledge, as we require the mandatory execution of end-user undertakings in our relevant distributor and export contracts, no sanctioned targets or sanctioned end-users were involved. Furthermore, we have only engaged personnel in Russia with their work scope strictly confined to general market and competitor research. Accordingly, our International Sanctions Legal Advisor is of the view that there is a relatively low risk that our activities and our limited indirect exposure to Russia during the Track Record Period will trigger U.S. Secondary Sanctions.

Accordingly, based on these facts and the due diligence performed by our International Sanction Legal Advisor, our International Sanction Legal Advisor is of the view that our Company is compliant with relevant sanctions law and there is no material sanctions risk discussed in Chapter 4.4 of the Guide for New Listing Applicants.

Internal Control Measures Against Sanctions Risks

We are cognizant of the potential sanctions risks arising from indirect transactions involving Russia and have consequently established a robust internal control framework to mitigate such exposure. Commencing in December 2025, we have developed a comprehensive trade compliance system centered on the identification of controlled items, rigorous end-user and end-use verification, and a multi-departmental review and approval process overseen by a dedicated compliance officer. This framework is further supported by regular compliance training and an oversight leadership group responsible for ensuring accountability and the ongoing effectiveness of our international sanctions and export control internal control. We also require our customers to enter into end-use and end-user undertakings, pursuant to which customers are required to confirm that our products will not be used for any end uses or by any end users subject to U.S. export controls or sanctions, nor will such products be supplied to jurisdictions subject to applicable U.S. sanctions restrictions.

Based on the foregoing, and having regard to the Company’s internal control measures as described above, we are of the view that, and the Joint Sponsors concur, the internal control measures are adequate and effective to protect the interests of the Relevant Persons for the purposes of Chapter 4.4 of the Sanctions Guidance.

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Export Control Risks

During the Track Record Period, our power generator engines, marine engines and other ancillary products were manufactured in the PRC and did not incorporate any U.S.-origin commodities, controlled content, or software. However, during the Track Record Period, one of our customers was being named in the Entity List maintained by the BIS of the U.S. Department of Commerce. Specifically, for the year ended December 31, 2023 and 2024, and the nine months ended September 30, 2025, our revenue from that customer amounted to RMB 766,000, nil and nil, representing approximately 0.02%, nil and nil of our Company’s total revenue in the corresponding period, respectively.

As advised by our International Sanctions Legal Advisers, our engine products are not subject to the U.S. Export Administration Regulations, and our transactions with that customer during the Track Record Period does not violate applicable U.S. export control laws. Given the limited financial contribution and no violation of the EAR having been identified in respect of our transactions with that customer, our International Sanctions Legal Advisers is of the view that there is no material compliance or operation risk for our Company under this arrangement, and is compliant with the relevant laws and regulations in relation to export control.

LICENSES, PERMITS AND APPROVALS

As of the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals and certifications that are material to our operations and such licenses, permits and approvals were valid and remained in effect without material risk of being unable to be renewed upon expiration. The following table sets out a summary of the material licenses, permits, approvals and certifications that we have obtained for our business operations as of the Latest Practicable Date.

<u>Licenses/Permits/Approvals/ Certifications</u>	<u>Issuing Authority</u>	<u>Issue Date</u>	<u>Expiry Date⁽¹⁾</u>
Pollutant discharge permit (排污許可證)	Yulin City Ecology and Environment Bureau (玉林市生態環境局)	August 1, 2025	July 31, 2030
Administrative license decision (行政許可決定書)	State Administration of Foreign Exchange Yulin Branch (國家外匯管理局 玉林市中心支局)	December 17, 2021	N/A
Customs receipt for filing of consignee/consignor of import and export of goods (海關進 出口貨物收發貨人備案回執)	Yulin Customs (玉林海關)	December 15, 2021	N/A

Note:

(1) “N/A” represents licenses that do not have an expiration date and will remain valid unless revoked.

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COMPETITION

The industry in which we operate is highly competitive and concentrated, and we face intense competition across our product types. We believe that, in general, we primarily compete with our competitors for customers and market share on the basis of various factors, including brand recognition, the performance, quality and reliability of products, products’ compliance with emission standards, R&D capability, price, sales network and after-sales service.

We compete primarily with major and well-established domestic and foreign competitors in respect of each of our business and product segments. In our business segment for power generator engines and power generator sets, we compete mainly with major engine manufacturers in the production and supply of high-power diesel power generator engines and power generator sets for data centers and other major applications. In our business segment of marine propulsion and auxiliary engines, we compete mainly with major Chinese engine manufacturers in respect of marine engines for cargo vessels used in inland waterways and fishing vessels in China, and international engine manufacturers in respect of marine engines for cargo vessels used in coastal waters, engineering vessels and high-speed vessels. Furthermore, as we continue to focus on developing gas engines and to expand our production of such products, we expect to encounter increasing competition primarily from major Chinese engine manufacturers in respect of gas engines.

While we believe that we are able to compete effectively with our major competitors in the key market segments we focus on, we may face significant challenges and uncertainty as we endeavor to maintain or expand the sales of our products in such market segments or to enter new market segments or expand our business in the international market. Our major competitors may have better technology, capital resources and brand recognition in the countries or regions in which we currently market and distribute our products or in or to which we may expand our business in the future. Some of our competitors have formed joint ventures with, or have entered into technology assistance arrangements with, international diesel engine manufacturers or engine design consulting firms, and may use technology that is more advanced than those owned or used by us. As a result, we may face increasingly intensified competition as a result of, among other things, improvements in our competitors’ products, their increased production capacity and aggressive pricing strategies.

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AWARDS AND RECOGNITIONS

Over the years, we have obtained various awards and recognitions from a number of accrediting institutions in respect of the high quality standards of our products and our R&D achievements. The following table sets forth some of the major awards and recognitions obtained by us.

Award Year	Award name	Award institution
2024, 2018 and 2012	China Mechanical Industry Science and Technology Progress Award (Second Prize)	China Machinery Industry Federation and China Mechanical Engineering Society
2024	Guangxi Scientific and Technological Progress Award (First Prize)	Government of Guangxi Zhuang Autonomous Region
2023	Guangxi Scientific and Technological Invention Award (Second Prize)	Government of Guangxi Zhuang Autonomous Region
2023	Guangxi Scientific and Technological Invention Award (Third Prize)	Government of Guangxi Zhuang Autonomous Region Government
2021	Guangxi Patent Award (Top Prize)	Intellectual Property Administration of Guangxi Zhuang Autonomous Region
2021	Guangxi Patent Award (Second Prize)	Intellectual Property Administration of Guangxi Zhuang Autonomous Region
2020	Guangxi Scientific and Technological Invention Award (First Prize)	Government of Guangxi Zhuang Autonomous Region
2020 and 2017	China Patent Excellence Award	China National Intellectual Property Administration

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Deeply integrating environmental, social, and governance (ESG) principles into corporate operations and management serves as a critical foundation for us to achieve sustainable and high-quality development. Guided by our core value of becoming a responsible corporate citizen, we continuously enhance our ESG governance and are committed to fulfilling our sustainability commitments, particularly in the areas of environmentally friendly manufacturing and employee health and safety. We have established and effectively maintains an integrated management system that complies with international standards such as ISO 9001:2015, ISO 45001:2018, and ISO 14001:2015, in accordance with the requirements of the Listing Rules, we will publish ESG reports periodically upon [REDACTED], with an aim to actively communicate our sustainable development performance to all stakeholders through transparent disclosure.

ESG Governance

We integrate ESG principles into our corporate strategic decisions and daily operations, continuously establishing a sound ESG governance system to enhance ESG management standards and drive sustainable long-term growth. We are consistently improving our ESG policy framework, which covers critical areas including environmental protection, safety in production, employee rights, supply chain management, product quality and safety, and anti-corruption and business ethics, thereby ensuring effective implementation of our ESG initiatives.

ESG Governance Structure

To effectively manage and implement ESG-related matters and facilitate the achievement of ESG goals, the Company has established a top-down ESG governance structure.

- *Governance Level*

The Board, as the highest decision-making body for the Company’s ESG management, bears overarching design and oversight responsibilities. The Board reviews and approves significant ESG strategies and targets, regularly assesses implementation progress, and considers and approves the annual ESG report, ensuring that ESG management is deeply integrated and aligned with the Company’s overall development strategy.

- *Management Level*

The Board has established an ESG Committee, comprising three directors and chaired by the General Manager. The ESG Committee is responsible for formulating the Company’s ESG strategy, objectives, and plans, and overseeing their implementation; reviewing assessments of ESG risks and opportunities along with corresponding mitigation measures; examining the annual ESG report before submitting it to the Board for approval; and reviewing specific ESG policies while monitoring the implementation of the ESG framework, regularly reporting to the Board and proposing enhancements.

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● Implementation Level

Under the ESG Committee, an ESG Management Team operates, composed of senior management such as the General Manager and Deputy General Managers, with the flexibility to engage external experts for specialized support. This team is tasked with preparing and consolidating materials for ESG-related decision-making; conducting preliminary reviews of ESG proposals from subsidiaries and various functional departments; coordinating and promoting the day-to-day execution of ESG projects and cross-departmental collaboration; and ensuring the efficient and standardized operation of processes for the systematic collection, verification, and disclosure of ESG information.

Board Diversity

We have formulated the Board Diversity Policy and actively promote board diversity in accordance with the Articles of Association and relevant regulatory guidelines. This policy assists us in prudently assessing director candidates based on multiple criteria such as gender, professional experience, as well as cultural and educational backgrounds in order to form an inclusive and highly effective Board members that fully integrates diverse perspectives and expertise, thereby enhancing the foresight and inclusiveness of decision-making. As of the Latest Practicable Date, the Board comprises nine Directors, consisting of three executive Directors, three non-executive Directors, and three independent non-executive Directors. The Board includes two female Directors.

Materiality Assessment

Based on our Company’s actual conditions and feedback from various stakeholders, and by benchmarking against peer enterprises in the same industry to identify ESG issues, we conduct materiality assessments of these issues following the double materiality principle. During 2024 and 2025, GYMCL conducted a stakeholder research. As a subsidiary of GYMCL, the material issues identified by GYMCL are also applicable to us based on our assessment. The material ESG issues identified are as follows:

Environment	Emissions and waste Green and low-carbon products Water resources and wastewater
Society	R&D and innovation Product and service safety and quality Employee compensation and benefits Occupational health and safety
Governance	Corporate governance Risk management

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ESG Risk Identification, Assessment, Management and Mitigation

We have integrated ESG risk management into our overall strategic planning and established corresponding management principles and implementation strategies. A systematic mechanism for ESG risk identification, assessment, early warning and response has been established. The Board is responsible to oversee this process and regularly reviewing the management of ESG-related issues to ensure alignment with our development objectives.

Based on the focus of our stakeholders, our business characteristics, and with reference to professional opinions, we have identified the key ESG issues along with their associated potential risks and opportunities as follows:

- ***Environmental Risks and Opportunities***

Amid increasingly stringent environmental regulations, the Company faces rising compliance costs and operational risks. If environmental incidents such as non-compliant emissions or hazardous waste leakage occur, the Company could be subject to administrative penalties, supply chain disruptions, or even production restrictions or suspensions. Such events would adversely impact normal operational continuity and directly affect the Company’s financial condition.

Innovation in low-carbon products presents significant strategic opportunities for us. It is not only a key initiative in responding to national “Carbon Peak and Carbon Neutrality” goals and international “green trade barriers”, but also helps us capture opportunities in the global green consumer market, enhance our differentiated product competitiveness, explore new revenue streams, and strengthens investor confidence.

- ***Social Risk***

Our operations are exposed to various social dimension risks, primarily encompassing laws and regulations compliance, business integrity, talent competition pressures, product and service safety and quality, as well as occupational health and safety. Failure to comply with increasingly stringent regulations concerning employee rights, production safety, or business ethics could result in penalties, litigation and reputational damage. Furthermore, rising customer expectations for product quality and supply chain sustainability, coupled with the risk of losing key talent, may also have impact on our market competitiveness and operational stability.

Environment

Environmental Management

We strictly adhere to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and other environmental protection laws and regulations of the jurisdictions in which we operate. To further standardize our corporate environmental management, we have established a compliance-based environmental management framework supported by corresponding policies, such

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as our occupational health, safety and environmental management regulations and equipment and power management regulations, enabling the ongoing management and monitoring of the environmental impact of our operations.

To systematically advance environmental management, our Company has established a comprehensive environmental management system. The entire process encompassing the design, manufacturing, and sales operations of engines and power generator sets has obtained ISO 14001 Environmental Management System certification. By clearly defining responsibilities across various organizational levels, we ensure the effective operation of this management system. Furthermore, we conduct regular staff training programs to continuously enhance our staff’s capabilities and awareness regarding environmental compliance and management.

We attach great importance to the prevention and response to environmental emergencies and has established a regular mechanism for identifying and assessing environmental risks. For the identified risks, comprehensive management plans and emergency response procedures have been developed to ensure effective control. Furthermore, we have formed a professional emergency response team and continuously enhances the response to sudden environmental incidents through regular drills.

Response to Climate Change

Climate change presents unprecedented challenges to global economic development. Our Company recognizes the interconnection between its operations and climate change, and has identified and assessed climate-related risks impacting its operations, supply chain, and stakeholders, primarily including:

- ***Physical Risks***

Extreme weather events such as heavy rainfall may cause water ingress at our facilities, damage test benches and electrical equipment, lead to dampness and corrosion of spare parts and finished products in storage, and disrupt logistics, resulting in delayed deliveries. Furthermore, prolonged periods of high temperatures and drought conditions can increase the load on plant air conditioning and process cooling systems, potentially affecting testing process stability and energy efficiency. In response, the Company has developed and continues to enhance comprehensive emergency response plans. To enhance flood prevention capabilities at our facilities, we have expanded the stormwater drainage system and stockpiled emergency supplies, including sandbags, complemented by annual emergency drills. A dedicated fund has been established to upgrade overall safety and firefighting capabilities. These initiatives include updating site-wide safety warning signage, remediating identified potential hazards, replenishing firefighting equipment, and commissioning a new mini fire station to strengthen the capability to respond to natural disasters.

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- *Transition Risks*

As carbon emission regulations in various countries continue to tighten, enterprises may need to increase capital expenditures for the procurement of energy-saving and emission-reduction equipment, as well as technological upgrades, potentially leading to higher operational costs. Furthermore, the adoption of low-carbon production processes, clean energy sources, and high-efficiency equipment may incur significant upfront investment. Our Company maintains a proactive approach by continuously monitoring the latest environmental policies and evolving carbon emission standards at both national and regional levels. Our Company keeps abreast of advanced and applicable low-carbon technologies within and beyond its industry, and introduces them in a timely manner. We continually improve our energy structure and energy efficiency management, promote intelligent and digital transformation, and comprehensively enhance our process and manufacturing levels.

- *Climate-related Opportunities*

Globally, policy support for low-emission, energy-efficient, and clean energy equipment continues to intensify, creating opportunities such as subsidies for energy-saving technological upgrades and green power trading. Furthermore, enhancement in energy efficiency, waste heat recovery, process water recycling, and digitalized energy management can directly reduce energy consumption and operational costs per unit of product, while simultaneously improving emission performance and corporate image. Our Company shall continuously optimize its processes and advance efficient energy management to elevate its environmental performance and external reputation.

Metrics and Targets in relation to Environmental and Climate Change

The operational boundaries for calculating the environmental and climate change-related metrics encompass all production sites and office premises of the Company. Key performance indicators are detailed below:

- *Greenhouse Gas Emissions*

In accordance with the Greenhouse Gas Protocol published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the 2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by the Intergovernmental Panel on Climate Change (IPCC), and the Guidelines for Accounting and Reporting Greenhouse Gas Emissions for Other Industrial Enterprises (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) issued by the NDRC of the PRC, we have identified Scope 2 emissions as our primary category of greenhouse gas emissions.

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The table below sets forth our greenhouse gas emissions during the Track Record Period:

		Year Ended December 31,		Nine Months Ended September 30,
Unit		2023	2024	2025
Total greenhouse gas emissions	tons of CO ₂ equivalent	30,928.35	41,113.61	40,651.65
Scope 1 greenhouse gas emissions	tons of CO ₂ equivalent	17,520.10	27,666.76	26,704.45
Scope 2 greenhouse gas emissions	tons of CO ₂ equivalent	13,408.25	13,446.85	13,947.21
Greenhouse gas emissions intensity	tons of CO ₂ equivalent per million RMB in revenue	9.55	10.28	8.18

To systematically manage value chain carbon emissions, we plan to review the Scope 3 greenhouse gas emission in 2026, concurrently launching a series of decarbonization measures. These initiatives include encouraging employees to prioritize public transportation, such as high-speed rail, for business travel; promoting waste reduction and the conservation of water and electricity to minimize unnecessary resource consumption; and requiring service providers to utilize new energy vehicles with lower carbon emission intensity for upstream and downstream transportation and distribution.

We initiated a feasibility analysis in 2025 regarding data collection for selected Scope 3 emission categories, including fuel- and energy-related emissions. Based on the findings, we will further refine the data-collection methodology and plan to commence the collection of Scope 3 emissions data for 2026.

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- *Energy Consumption*¹

The table below sets forth our energy consumption during the Track Record Period:

	Unit	Year Ended December 31,		Nine Months Ended September 30,
		2023	2024	2025
Total direct energy consumption	tons of standard coal equivalent	8,203.05	12,995.32	12,699.86
Total natural gas consumption ²	10,000 m ³	26.25	54.11	99.91
Total diesel consumption ³	tons	5,390.07	8,424.76	7,803.90
Total indirect energy consumption	tons of standard coal equivalent	3,070.95	3,079.79	3,194.39
Total purchased electricity	MWh	24,987.42	25,059.35	25,991.81
Comprehensive energy consumption	tons of standard coal equivalent	11,274.01	16,075.11	15,894.25
Comprehensive energy consumption intensity	tons of standard coal equivalent per million RMB in revenue	3.48	4.02	3.20

¹ The conversion of energy consumption units into standard coal equivalent is strictly conducted in accordance with the calculation rules and coefficients stipulated in the General Rules for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2020) (《綜合能耗計算通則》) jointly issued by the State Administration for Market Regulation and the Standardization Administration of China.

² The increase in natural gas consumption since 2024 was attributable to the Company’s significant production growth and extended bench testing hours required for new product development.

³ The increase in diesel consumption in 2025 was primarily driven by the Company’s significant growth in production output.

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- *Water Consumption*

The table below sets forth our water consumption during the Track Record Period:

		<u>Year Ended December 31,</u>		<u>Nine Months Ended September 30,</u>
<u>Unit</u>		<u>2023</u>	<u>2024</u>	<u>2025</u>
Total water consumption ⁴	m ³	179,444.87	134,708.35	129,687.33
Water consumption intensity	m ³ per million RMB in revenue	55.40	33.68	26.11

- *Packaging Materials Usage*

The table below sets forth our packaging materials consumption during the Track Record Period:

		<u>Year Ended December 31,</u>		<u>Nine Months Ended September 30,</u>
<u>Unit</u>		<u>2023</u>	<u>2024</u>	<u>2025</u>
Total packaging materials	tons	4,786	5,374	5,648
Metal	tons	335	329	308
Paper	tons	4	5	7
Plastic	tons	62	107	131
Wood	tons	4,385	4,933	5,202
Packaging material intensity	tons per million RMB in revenue	1.48	1.34	1.14

⁴ We transitioned from in-house production of cylinder block rough castings to sourcing from suppliers since March 2024 onward, with the associated water consumption data subsequently excluded. As a result, water usage figures for 2023 and January to February 2024 include consumption attributable to the in-house casting production prior to such transition, while data from March 2024 onward no longer incorporate such usage. This adjustment is the primary reason for the apparent year-on-year decline in water consumption.

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- *Waste and Pollution*

The table below sets forth our waste and pollution, as well as wastewater discharge and air emission, for the periods indicated.

Waste Generation	Unit	Year Ended December 31,		Nine Months Ended September 30,
		2023	2024	2025
Total non-hazardous waste ⁵	tons	3,218.98	2,742.14	2,544.44
Non-hazardous waste intensity	tons per million RMB in revenue	0.99	0.69	0.51
Total hazardous waste	tons	62.15	64.2	42.15
Hazardous waste intensity	tons per million RMB in revenue	0.02	0.02	0.01

Wastewater Discharge	Unit	Year Ended December 31,		Nine Months Ended September 30,
		2023	2024	2025
Total wastewater discharge ⁶	tons	233,521.00	163,110.00	146,273.15
Wastewater discharge intensity	tons per million RMB in revenue	72.10	40.78	29.45

⁵ Our non-hazardous waste primarily comprises production waste (such as scrap metal) and office/domestic waste. The annual generation of office/domestic waste is estimated using the following formula: Annual Office/Domestic Waste Generation (tons) = Average Number of Personnel in the Managed Area × Per Capita Daily Waste Generation (kg/person/day) × Number of Working Days in the Year.

We transitioned from in-house production of cylinder block rough castings to sourcing from suppliers since 2024, the associated production waste generation data has since been excluded. Consequently, production waste generation figures for 2023 and the period from January to February 2024 include waste from the in-house casting production prior to such transition, while data from March 2024 onward no longer incorporate such waste. This adjustment is the primary reason for the year-on-year decrease in non-hazardous waste generation.

⁶ The Company’s wastewater discharge volume exceeds its water intake volume primarily because substantial rainfall runoff from the plant site’s catchment area enters the drainage system and is included in the wastewater measurement during the rainy season.

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Air Emissions	Unit	Year Ended December 31,		Nine Months Ended September 30,
		2023	2024	2025
Total air pollution ⁷	tons	42.98	20.19	15.16
Nitrogen oxides (NOx)	tons	14.29	13.46	12.46
Particulate matter (PM)	tons	28.69	6.74	2.69
Air pollutant emissions intensity	kilograms per million RMB in revenue	13.27	5.05	3.05

Environmental Targets

Target for energy efficiency	The Company aims to reduce its comprehensive energy consumption intensity, defined as tons of standard coal equivalent per 100 kW rated engine power, by 25% by the end of 2030, against the baseline year of 2022.
Target for water consumption	The Company aims to reduce its water consumption intensity, defined as m ³ per 100 kW rated engine power, by 25% by the end of 2030, against the baseline year of 2022.
Target for greenhouse gas emissions	The Company aims to reduce its greenhouse gas emission intensity, defined as tons of carbon dioxide equivalent per 100 kW rated engine power, by 35% by the end of 2030, against the baseline year of 2022.
Target for pollutant emissions and discharges	To achieve a 100% compliance rate for air emission and wastewater discharge standards, and ensure 100% compliant disposal of waste.

⁷ We transitioned from in-house production of rough castings to sourcing from suppliers since March 2024, the associated exhaust emission data have since been excluded. Consequently, exhaust emission figures for 2023 and January to February 2024 include emissions from the in-house casting production prior to such transition, whereas data from March 2024 onward no longer incorporate such emissions. This adjustment is the primary reason for the year-on-year decrease in exhaust emissions.

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Waste and Pollutant Management

We strictly comply with laws and regulations including the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), and the Integrated Wastewater Discharge Standard (《污水綜合排放標準》) promulgated by the Ministry of Ecology and Environment of the PRC. To further standardize our environmental protection management, we have established a comprehensive internal control system, including our waste management regulations and our occupational health, safety and environmental management regulations, to continuously manage and monitor the environmental impact of our operational activities. The Company undertakes to achieve 100% compliance in air emission, wastewater discharge and waste disposal, and ensures that plant boundary noise meets the Class 3 industrial area standards specified in the Emission Standard for Industrial Enterprises Noise at Boundary (GB 12348 (《工業企業廠界環境噪聲排放標準》) promulgated by the Ministry of Ecology and Environment of the PRC). Our key initiatives targeting emissions of air emission, wastewater, and solid waste include:

- *Wastewater*
 - *Centralized and Professional Treatment of Production Wastewater:* Various types of industrial wastewater generated during the Company’s production processes are collected via dedicated pipelines or tanker trucks and transported to GYMCL’s specialized wastewater treatment station for unified treatment. This ensures efficient degradation and removal of pollutants in wastewater, achieving compliant and safe discharge.
 - *Condensate Water Recycling:* We have established a condensate water recovery system to circulate and recycle water that was previously discharged as a high-quality cooling resource, enhancing overall utilization of water resources.
- *Air Emission*
 - *Eco-friendly Coating Process Upgrade:* We actively promote the adoption of environmentally friendly coatings in its production and operational processes, replacing traditional solvent-based coatings with water-based coatings to reduce air emission and cut hazardous waste generation at the source.
- *Waste*
 - *Metal Waste Resource Recovery:* We centrally collect most of the recyclable metallic waste generated during our production and operational processes, such as scrap iron and waste steel materials, and transports it to the casting division under the GYMCL Group for remelting and regeneration.

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Resources Use

- *Energy Management*

We strictly adheres to laws and regulations, including the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), and has established internal regulations, such as the equipment and power management regulations and the measurement equipment management regulations. We have developed and continuously improved our energy management system, which features systematic target decomposition, rigorous performance evaluation, and precise measurement and statistics, forming a closed-loop process in energy management. We have implemented a series of energy conservation and consumption reduction measures, actively promoting green production and sustainable operations:

- *Energy Utilization:* We have integrated its test power generator sets directly into the manufacturing workshop’s grid. This approach not only completes testing tasks but also feeds the electricity generated during the testing process back into the grid, delivering significant economic benefits and environmental advantages.
- *Digital Energy Management:* The electrical power consumed by us is monitored in real-time via smart meters, with data transmitted directly to the Group’s digital energy management system.
- *Process Energy Efficiency Enhancement:* For the machining of core components, we have introduced high-efficiency equipment and optimized production workflows, substantially reducing the time needed for key processes, which leads to a significant increase in production capacity.
- *Energy Conservation Awareness and Implementation:* We organize an annual energy conservation promotion week, featuring activities such as displaying banners as well as broadcasting slogans and short videos on electronic screens to foster a culture of conservation. Furthermore, monthly joint three leak inspections are conducted alongside unannounced green office audits to ensure the effective implementation of energy-saving practices.

- *Water Resource Management*

We have implemented a comprehensive water resources management system to regulate water usage across production and operational activities, ensuring strict compliance with water extraction regulations to prevent unnecessary waste. Key initiatives to enhance water use efficiency include:

- *Energy-Saving Retrofit of Pump System:* We optimized the temperature linkage logic in pump rooms while implementing variable frequency control for pumps, thereby achieving precise, on-demand cooling supply and significantly reducing energy consumption during operation.

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- *Water-Saving Process Reform:* We implemented an internal water circulation and recycling system, thereby substantially improving the efficiency of water resource utilization.

- *Packaging Materials Management*

We are committed to advancing the green transformation of our packaging operations. While ensuring the compliant disposal of packaging materials, we actively promote packaging recycling, and reduce the consumption of packaging materials. Our packaging materials management initiatives include:

- *Compliant Disposal of Packaging Materials:* For packaging materials that are difficult to recycle internally, such as foam plastics, we entrust three waste treatment providers to conduct centralized and compliant disposal, ensuring that such waste is processed in an environmentally sound manner, preventing environmental pollution.
- *Circular Utilization of Wooden Packaging:* We have established long-term cooperation with specialized packaging companies to recycle, repair, and reuse wooden packaging materials (e.g., wooden cases and pallets) employed in the transportation process, effectively reducing the consumption of timber resources and the generation of solid waste at the source.

Low-carbon Product Innovation

In response to the global energy transition trend, we are fully advancing its product R&D strategy characterized by “high performance and low emissions.” We are committed to developing high-end power platforms and expanding the boundaries of fuels and applications, providing customers with reliable, stable, and environmentally efficient low-carbon power solutions, thereby building market competitiveness.

- *China’s Largest Spark-Ignition Methanol Engine*

We have developed the YC6TFM series, China’s largest power output spark-ignition methanol-dedicated engine. By utilizing green methanol, such engine series can reduce carbon dioxide emissions compared to conventional diesel engines, while achieving zero emissions of particulate matter and sulfur oxide, significantly lowering the carbon intensity and pollutant emissions of marine and other transport equipment.

- *The World’s First Low-Concentration Gas Engine*

We pioneered the world’s first MW-scale power generator set (YC12VCG-1000M5HC) capable of stable operation with coal mine gas concentration as low as 6%. This technology effectively captures emitted greenhouse gas for power generation, substantially reducing methane emission intensity from coal mining operations.

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Social Responsibility

Labor Rights and Interest

We comply, in all material respects, with the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), and other relevant laws and regulations. Internal management regulations, including the employee relations management regulations, have been formulated and implemented to govern employment relationships, control and manage recruitment quality, and effectively protect the legitimate rights and interests of employees. We expressly prohibit the use of any form of child labor and forced labor. Any violations are subject to strict disciplinary action in accordance with our regulations. We are committed to creating a harmonious, equitable, and efficient work environment. As of September 30, 2025, we had 783 full-time employees.

We are dedicated to building a diverse, equitable, and people-centric work environment and maintain a zero-tolerance policy towards workplace discrimination, harassment, and other misconduct. It is expressly prohibited to engage in any form of discrimination, intimidation, harassment, or infringement of personal dignity based on gender, age, race, ethnicity, skin color, religion, nationality, sexual orientation, physical condition, or any other characteristic. Furthermore, We strictly prohibit the use of child labor and forced labor, and vigorously suppresses any practice that may lead to material labor disputes.

We actively communicate with employees through multiple established channels including the General Manager’s mailbox, employee forums, the corporate WeChat platform, and the staff representative committee to ensure and enhance the accessibility and efficiency of communication. We provide employees with social insurance, housing provident funds, and provide supplemental major medical insurance. Furthermore, we offer various supplemental benefits covering medical health and daily life, including employees overseas benefits, hardship subsidies, funeral subsidies, and hospitalization support. Additionally, we organize a variety of employee engagement activities, such as outdoor team-building events and family visit days to manufacturing workshops.

Talent Training and Development

Employee Development

We have established a systematic career development and management system. Through standardized policies and procedures as well as diversified promotion pathways, this system effectively supports the development of a talent pipeline and enhances organizational effectiveness. We have formulated and implemented a series of internal documents, including the human resources control procedure and the employee evaluation management regulations, which clearly define the standards and processes for talent selection, performance appraisal, promotion and transfer.

To address the diverse development needs of our employees, we have established three distinct career development pathways: the management track is designed for employees with potential in team leadership and strategic execution; the professional track caters to specialists such

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as engineers and business managers; and the technical/skills track provides vertical career progression for manufacturing workshop-based technical staff, aiming to achieve optimal person-job matching and enable targeted incentive mechanism.

Employee Training

We regard talent as core strategic assets and has established comprehensive *training management regulations* applicable to all employees, demonstrating its commitment to building a systematic and forward-looking employee development system. By continuously optimizing the training mechanism, we ensure that talent development initiatives are closely aligned with our strategic objectives and business needs, thereby providing a continuous driver for organizational capability enhancement. We have developed a specialized training system for five key employee categories: front-line operators, R&D personnel, sales personnel, process engineers, and quality assurance personnel.

This specialized training system is designed to deliver differentiated and customized development plans, tailored to the specific professional requirements and career progression paths of various positions, ensuring that training content aligns with both corporate strategic objectives and individual career aspirations. We place strong emphasis on standardizing and systematizing the entire training process, which encompasses needs analysis, program planning, and effectiveness evaluation, thereby establishing a closed-loop management system. By regularly updating course content and innovating training methodologies, we consistently enhance the practical effectiveness of learning, supporting the continuous renewal of employee knowledge and the advancement of comprehensive competencies.

Occupational Health and Safety

We are committed to providing a safe and healthy workplace for all employees, strictly adhering to the Labor Law of the PRC (《中華人民共和國勞動法》), the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), and other relevant laws and regulations. We have established and implemented internal management system, including the occupational health, safety and environment management regulations. A comprehensive occupational health and safety management system is in place, and the entire life cycle of our engines and power generator sets — encompassing design, manufacturing, and sales operations — has obtained ISO 45001:2018 certification. We conduct a comprehensive occupational disease hazard status evaluation every three years and perform annual monitoring of hazardous factors in the workplace. Employees exposed to factor levels exceeding standards undergo mandatory occupational health examinations. Those failing to pass the health examination are reassigned to alternative positions to ensure their work assignments are suitable for their health condition, thereby safeguarding employee health.

For new employee onboarding, we systematically implement a three-tier safety education and training program (plant-level, manufacturing workshop-level, and team-level) in strict compliance with the Production Safety Law of the PRC (《中華人民共和國安全生產法》). We ensure all training hours are accurately recorded, maintain complete training files for each participant, and archive all training materials according to regulations, achieving full-process traceability.

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Furthermore, we organize annual activities during the “Work Safety Month,” structured in four key phases: safety awareness promotion, safety practices implementation, emergency response drills, and safety culture cultivation, all conducted in strict accordance with relevant guidelines. During the Track Record Period, we recorded no fatalities related to workplace incidents. However, in December 2025, an employee was involved in a fatal traffic accident while on a business trip. The incident is currently undergoing the formal work-related injury recognition process. We take this matter extremely seriously and have since reinforced safety training for employees traveling on business and plan to enhance coverage by purchasing comprehensive accidental injury insurance for all staff.

The workdays¹ lost to work-related injuries during the periods indicated is as set out in the following table:

		Year Ended December 31,		Nine Months Ended September 30,
		2023	2024	2025
Unit				
Workdays lost to work-related injuries	days	135	138	0

Supply Chain Management

A robust and stable supply chain management is fundamental to our development and operations. The Company has established the regulations on the development and selection of component suppliers and the supplier audit management regulations to standardize the processes for supplier onboarding, maintenance, evaluation, and removal. Furthermore, our internal integrated evaluation regulations for component suppliers define the mechanism and policies for identifying, assessing, and managing environmental and social risks within the supply chain. Our relevant internal stipulations specify that:

- *Supplier Onboarding and Evaluation*

Suppliers complete registration, preliminary qualification review, and development confirmation through the “supplier pre-selection” module of our SRM system. Upon successful screening, suppliers enter the master data creation procedure and are formally incorporated into the supplier system. We conduct on-site assessment and evaluation of potential suppliers, assessing 10 key aspects including business structure, financial conditions, design capability, cost management, manufacturing proficiency, quality control, and environmental protection. The assessment conclusion is categorized as “pass/conditional pass/fail,” and the assessment report along with any corrective action requirements are issued following the “general report approval procedure.” For components related to performance,

¹ A workday refers to a standard work period of eight hours within a 24-hour cycle.

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we conduct dedicated performance and reliability tests. Other components are incorporated into the “component trail assembly tracking platform” for closed-loop monitoring of trial assembly and testing outcomes, which constitute the evidential basis for final qualification approval and mass procurement authorization.

- *Supplier Evaluation Mechanism*

We implement an annual evaluation system based on five key dimensions: technical capability, quality, responsiveness, delivery, and cost. Suppliers are rated on a four-tier scale (A, B, C, D):

- Grade A: Granted preferential access to new product development and strategic projects.
- Grade B: Maintaining collaboration and proposing continuous improvement targets.
- Grade C: Implementing corrective measures within a specific timeframe with ongoing guidance, and developing alternative sourcing channels, where necessary.
- Grade D: Placed on a managed exit pipeline and phased out via a formal governance process to ensure an orderly transition.

We also regularly convene annual supplier summit meetings and quarterly quality review forums to address issues, share best practices, and synchronize strategic improvement initiatives.

- *Supplier Support and Development*

We convene regular supplier conferences and quality-focused meetings to address issues, share best practices and improvement plans.

- **System Application Support:** We guide suppliers through SRM system registration and train them to utilize the key functionalities of the system, enhancing collaboration and process efficiency.
- **Process Upgrades:** Technical optimization include segmenting rough and precision machining processes; improving tooling by adding manual/auxiliary supports; employing hydraulic fixtures for precision milling of joint surfaces; and optimizing cutting tools.
- **Quality Enhancement:** We provide dedicated support, including guidance on developing specialized polishing fixtures, optimizing the selection of polishing belts and time parameters, configuring dedicated inspection gauges, and delivering training on our inspection standards to ensure the stable control of critical dimensions.

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- *Supplier ESG Risk Assessment Mechanism*
 - **Integration into the Selection Process:** An ESG risk review is embedded during the supplier selection process, with a focus on evaluating the supplier’s environmental management system and compliance credentials.
 - **Audit Criteria:** The assessment verifies whether the supplier holds relevant certifications (e.g., ISO 14001:2015) and operational permits (e.g., a pollutant discharge permit). It evaluates the environmental attributes of raw materials, the management of surface treatment processes, and the control of wastewater, emissions, and solid waste. These factors, assessed through on-site assessment, are scored to generate a quantifiable environmental performance rating and initiate a corrective action follow-up cycle.
 - **Ongoing Monitoring:** We integrate ESG performance into its annual comprehensive evaluation system and routine assessment processes. For high-risk ESG themes, we formulate corrective action plans with clear review milestones and, when necessary, triggers a tiered control mechanism or an exit strategy.
- *Priority Selection of Suppliers Providing Eco-Friendly Products and Services*
 - **Environmental Material Specification and Drawing Control:** Green design and material specification are integrated at the technology source. For instance, technical drawings explicitly mandate the use of asbestos-free, environmental friendly gear-chamber gaskets, ensuring intrinsic product safety and regulatory compliance.
 - **Green Procurement Threshold:** An independent evaluation of environmental risks is incorporated into the potential supplier approval process. Priority is given to suppliers demonstrating sound environmental performance and clean production capabilities. Under equal conditions, preference is accorded to those offering products and services with a lower environmental footprint.
 - **Procurement of Environmental Friendly Products for Specific Components:** Assessments on alternative materials and processes are conducted for critical components. The Company is progressively expanding the application scope and increasing the usage proportion of environmental friendly materials.
- *Supplier Integrity Management Measures*
 - **Compliance Commitment:** We enter into integrity agreements with our suppliers, with provisions explicitly set out the requirements for anti-bribery, conflict of interest disclosure, and the boundaries for gifts and hospitality.

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- **Process Oversight:** Independent monitoring and documentation mechanisms are established for key stages, including bidding, prototype testing, and mass procurement. Whistleblowing and accountability channels are also established. Once violations of rules or regulations are discovered, they are handled in accordance with the law and regulations, and the supplier grading is adjusted according to the circumstances, up to and including exit.

Product Quality and Safety

We strictly comply with the Product Quality Law of the PRC (《中華人民共和國產品質量法》) and other relevant national quality and safety regulations. Internally, we have established a system of documented policies and procedures, including a *quality manual* and specific procedures and regulations covering the entire process from quality performance evaluation and incentive mechanisms to supervision, non-conforming product control and supplier management. This integrated system ensures end-to-end control over product quality and safety. We have obtained ISO 9001:2015 certification, which encompasses the design, manufacturing, and sales of engines and power generator sets. The Company undergoes annual assessment to maintain this certification.

To strengthen product quality and safety management, we have established specific quality management objectives and implemented a quality performance management system. We have enhanced supplier quality assessment, established a comprehensive traceability system covering both finished engines and components, and conducted regular internal and external audits alongside monthly external inspections. These initiatives are designed to foster a culture of quality and collectively drive continuous product quality improvement. Specific quality management measures we have adopted include:

- Annual quality performance targets, such as the quality compensation ratio and R0 failure rate, are established for the quality management department and each production line, applicable to their respective employees.
- Supplier quality management is enhanced through mechanism including internal and external audits, periodic rankings, meeting requests, and on-site support.
- A component traceability system is established, utilizing digital information system to achieve full life-cycle information traceability for finished engines and key components.
- Quality inspection covers all stages, including materials, processing, assembly, trial runs and final shipment, supported by non-conforming product control, external inspections, and unannounced spot checks.
- Various quality-related training programs are organized for process personnel, inspectors, and other staff to enhance quality awareness and practical operational skills.

While ensuring the products manufactured are of high quality and reliability, we have established a comprehensive after-sales management and product recall system, complemented by continuous service network development, to deliver professional, timely, and efficient customer

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support. Internal regulations, such as the product service management regulations, standardize procedures for product repair, replacement, and compensation, while enabling multi-channel complaint handling and closed-loop resolution. Through an institutionalized, process-driven, and digitalized after-sales service system, the Company achieves rapid response to customer issues, proactive prevention of quality risks, and full traceability of service activities. All customer complaints are addressed promptly, with corresponding internal training and corrective actions implemented accordingly, and have not resulted in any material operational impact.

Intellectual property protection

We place great importance on intellectual property management to safeguard its core technologies, and has established our regulations on technical intellectual property management to define comprehensive procedures covering patent planning, portfolio management, filing, maintenance, commercialization, and protection. These measures enhance cross-departmental collaboration and accountability, establishing an integrated IP management system that spans the entire chain from R&D and production to marketing.

We have established a dedicated task force for anti-counterfeiting and IP rights protection and issued the implementation plan for anti-counterfeiting and rights protection work, creating a corresponding working mechanism. It employs a comprehensive range of legal measures to carry out anti-counterfeiting and rights protection activities, effectively safeguarding core technology protection and brand value. Furthermore, we conduct training on patent management, mining, and portfolio strategies through online meetings and by engaging patent agencies, enhancing overall intellectual property awareness and innovation capabilities among employees.

Business Ethics

We strictly comply with relevant laws and regulations, including but not limited to the provisions concerning bribery, extortion, fraud, and money laundering under the Criminal Law of the PRC (《中華人民共和國刑法》). We resolutely prohibit all forms of improper business conduct. Furthermore, we rigorously adhere to internal Group policies and regulatory requirements related to anti-corruption, anti-money laundering, and business ethics to prevent and mitigate risks related to commercial bribery, unfair competition, money laundering, and similar misconduct.

We maintain a zero-tolerance policy towards violations of business ethics. It has established comprehensive whistleblowing and complaint mechanism, encouraging all stakeholders to report any unethical conduct through dedicated channels such as hotlines, email, and formal correspondence, with whistleblower identities kept strictly confidential. Furthermore, we annually conduct awareness sessions and self-assessments among relevant personnel to review compliance. Any identified issues are promptly addressed with disciplinary actions and mandatory corrective measures within specified deadlines.

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We place strong emphasis on fostering and disseminating a culture of business ethics. We employs a combination of regular education and institutional constraints to deeply embed integrity values within the organization. The key initiatives undertaken to build this business ethics culture include:

- Quarterly, we organize the viewing of integrity education feature films for management, staff in overseas positions, and personnel in key positions.
- Semi-annually, we convene thematic seminars focused on anti-corruption and integrity.
- Annually, we convene at least one integrity-themed education conference, ensuring 100% coverage.

During the Track Record Period, the Company did not experience any incidents of corruption, fraud, or misconduct that have had, or are expected to have, a material adverse effect on our business.

We strictly comply with the Data Security Law of the PRC (《中華人民共和國數據安全法》), the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), and other relevant laws and regulations to ensure the legality and normative conduct of all data processing activities, thereby safeguarding user data rights and interests. We adhere to a well-defined data security and privacy protection system. It operates under a comprehensive, life cycle-oriented data security governance system that defines management standards and operational procedures for data collection, storage, use, sharing, and destruction. This systematic approach is designed to thoroughly prevent data leakage risks and ensure the protection of customer privacy and data integrity throughout all operational phases.

Community Engagement and Industry Collaboration

While pursuing our own development, we actively contribute to society. We engage in regular volunteer activities to improve community living environment and foster a model of shared development, governance, and benefits between the enterprise and the community. Our key community investment initiatives include:

- **Youth Volunteer Activities for Mother River Protection:** We annually organize youth volunteers to conduct the “Mother River Protection” initiative, focusing on the environmental improvement of the Nanliu River. Activities include riverside garbage cleanup and bank beautification, contributing to local ecological conservation efforts.
- **Volunteer Home Appliance Repair Services:** Each year, we mobilize youth volunteers to provide free repair services for home appliances such as electric rice cookers, fans and ovens. These activities are carried out through designated “Lei Feng Service Stations” established for employees and community residents.

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- **Occupational Health and Safety Education Initiatives:** We actively collaborate with the Human Resources and Social Security Bureau to conduct community-based occupational health and safety education programs annually. These initiatives include distributing educational materials and promoting public awareness of occupational safety knowledge.

We actively foster an industry-academia research collaboration eco-system, partnering with multiple universities, research institutions, and enterprises to jointly advance the research and application of key technologies such as low-carbon fuel engines, reliability simulation, and energy efficiency evaluation. Furthermore, we are deeply involved in industry standard development, taking a leading or participatory role in drafting numerous national, industry, and group standards related to marine power, generator sets, and green data centers, thereby effectively promoting technological progress and standardized development within the industry.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, we maintained various types of insurance in accordance with the applicable PRC laws and regulations, including, among others, property all risk insurance, property insurance in respect of our production facilities and equipment, employee work-related injury insurance, employee general liability insurance, employee transportation accident insurance, employer’s liability insurance and maternity insurance. We procured insurance policies by type and amount that we considered sufficient and evaluated such insurance policies from time to time based on our past experience, changes in production and industry development. We believe that the scope of our insurance coverage is in line with the industry practice and adequate for our current operation. See “Risk Factors — Risks Relating to Our Business and Industry — We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs” in this document. During the Track Record Period and up to the Latest Practicable Date, we had not made, nor been the subject of, any material insurance claim.

EMPLOYEES

As of September 30, 2025, we had 783 full-time employees. Of such full-time employees, 50 were with masters’ or doctorate degrees, 17 were senior engineers, 256 were technicians and 203 were highly skilled personnel. We have entered into labor contracts with all of our employees. Substantially all of our employees were in China, except for approximately 52 employees who were stationed outside of China mainly as sales and marketing representatives. The following table sets forth the number of our employees by function as of September 30, 2025.

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	<u>Number of employees</u>	<u>Percentage (%)</u>
R&D	173	22.1
Management and administration	10	1.3
Finance	12	1.5
Sales and marketing	156	19.9
Manufacturing and production	<u>432</u>	<u>55.2</u>
Total	<u>783</u>	<u>100.0</u>

We have established a labor union to protect the legal rights of all employees and encourage employees to participate in the management decision-making process. We maintain good relationships with employees and are committed to creating a fair and conducive work environment for individual growth. We prohibit all forms of discrimination based on race, gender, religion, age, nationality or any other characteristic. During the Track Record Period and up to the Latest Practicable Date, there were no material labor disputes that would have a material and adverse effect on our business, financial conditions or results of operations.

We have from time to time outsourced personnel to work in our facilities in connection with certain production processes or projects which we outsource to third-party contractors. Such outsourced personnel are hired by the relevant third-party contractors and are not our employees. The rights and obligations of such outsourced personnel are specified in our agreement with the relevant third-party contractors.

Based on our business plan, we formulate personnel recruitment plans and aim to train and reserve talents to meet future business needs. We have developed detailed policies governing our recruitment process. In the course of the recruitment process, we identify the candidates who are the most suitable for our business needs through multiple channels, mainly including campus recruitment, recruitment through recruitment service agencies, open recruitment, internal referrals and personnel deployment within the Group. We enter into standard employment contracts and confidentiality agreements with our employees. We also enter into non-competition agreements with our key employees.

We deeply believe that providing our employees with attractive remuneration packages and a dynamic work environment can motivate our employees to grow rapidly and create value. We offer employees competitive compensation and benefits, including monthly salaries, incentive plans, various welfare benefits and opportunities for employee training and development. Our incentive plan includes monthly and annual performance-based bonuses awarded based on relevant performance appraisals, special rewards and equity incentive awards. In terms of benefits, we provide employees with various holidays and social insurance and housing provident fund contributions.

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We focus on the career development of all employees. We have established a comprehensive training management system that aims to provide tailored training programs based on the needs and requirements of different employees. Our employee training system mainly consists of new employee orientation training, technical skills training and general skills training.

Onboarding Training. We provide company-level training for all new employees, covering our corporate culture, rules and regulations, safety, quality, information security, processes and production. The departments are responsible for the training for new employees on departmental structure, responsibilities, operational procedures and performance standards, as well as the examination during the probationary period. Frontline production staff are required to complete relevant job training to obtain a work permit. Special training plans are developed for fresh graduates to help them quickly understand and integrate into us.

Technical Skills Training. Our technical skills training focuses on the employees’ job responsibilities and required technical skills to enhance their professional capabilities.

General Skills Training. General skills training refers to the training on skills that are not specific to a profession or job type, aiming to provide employees with essential work methods and abilities, such as office software, business etiquette, communication skills and time management.

Social Insurance and Housing Provident Fund Contributions

During the Track Record Period, we failed to make full contributions to social insurance and housing provident funds for certain of our employees (which primarily consist of newly on-boarded employees) in accordance with the relevant PRC laws and regulations. Such non-compliance was primarily due to the turnover in our labor force. In 2023, 2024 and the nine months ended September 30, 2025, the shortfall amounts were approximately RMB0.2 million, RMB0.3 million and RMB0.5 million, respectively. See “Risk Factors — Risks Relating to Doing Business in the Places Where We Operate — Failure to make adequate contributions to employee benefit plans as required by PRC regulations may subject us to penalties” in this document.

Our PRC Legal Advisor has advised us that, pursuant to the relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed period and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a penalty of one to three times the amount of the outstanding contributions. Our PRC Legal Advisor has further advised us that, pursuant to the relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed period, failing which the relevant PRC authorities may apply to the People’s Court for compulsory enforcement. Considering that, during the Track Record Period, (i) no competent government authorities had imposed administrative actions, fines or penalties on us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing

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provident fund contributions, and (ii) we had not received any employee reports, complaints, or disputes regarding the payment of social insurance or housing provident fund contributions, our PRC Legal Advisor advised that the likelihood that we are subject to claims for shortfall amounts or material penalties related to our failure to make full social insurance and housing provident fund contributions for our employees is low. We have formulated and implemented internal control measures and compliance plans to ensure ongoing compliance, including:

- We have enhanced our human resources management policies, which require social insurance and housing provident fund contributions to be made in full in accordance with applicable local requirements; and
- We have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a regular basis.

Based on the above, our Directors believe that the non-compliance incident mentioned above is unlikely to have a material adverse effect on our business operations or financial performance.

RISK MANAGEMENT AND INTERNAL CONTROL

We are dedicated to the establishment and maintenance of a sound risk management and internal control system. We have adopted and continually improve our internal control mechanism to manage and mitigate our exposure to various business and other risks, and ensure the compliance of our business operations with the applicable laws and regulations. Furthermore, we conduct regular review on the implementation of our risk management and internal control measures to ensure their effectiveness and sufficiency.

In 2022, we adopted the Internal Control Manual (內部控制手冊) to establish a comprehensive internal control system and risk management framework, which, among other objectives, is designed to regulate the internal controls over all of our business activities, implement risk management mechanism to our daily business operation and management, enhance our risk awareness. Based on the COSO framework for Enterprise Risk Management framework, the Internal Control Manual applies its basic concepts as well as application and evaluation guidelines for internal control and covers the control procedures and processes for 15 key business activities, including strategy management, investment management, financing management, operational management, budgeting management, fund management, human resources, procurement management, sales management, R&D, business outsourcing, contract management, financial reporting and information system.

Under our internal control system and risk management framework, our senior management is authorized by our board of directors to assume overall responsibility for the establishment, improvement and effective implementation of our internal control measures. To assist our senior management in managing our internal control, an internal control working group which consists of our senior management and each department head is instituted to be responsible for making major decisions about the establishment and improvement of our internal control system, approving the measures for strengthening our capability to identify, prevent, avoid and resolve risks, and directing and examining the work related to the implementation, operation and evaluation of our internal

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control system. Our management department is responsible for coordinating, monitoring and inspecting the implementation of internal control measure, conducting overall risk identification and assessment, and preparing our annual report on overall risk management. With the assistance and supervision of our management department, the head of each department is responsible for the establishment and implementation of internal control mechanism and procedures within their respective division or department. Furthermore, our finance department is responsible for monitoring the operation of internal control by and within each department, conducting internal audit of our internal control and taking remedial or rectifying actions for any deficiency in our internal control.

In addition, we have adopted and will further strengthen risk management and internal control measures to manage and control specific business or compliance-related risks, including, among others, those related to:

- (1) ***Anti-corruption and anti-fraud risk management:*** our Board is are directly responsible for the anti-corruption and anti-fraud risk management. We have established a whistleblower inbox encouraging the internal reporting of suspicious activities in the area. We have zero-tolerance of corruption and impose penalties on employees responsible for corruption incidents. We require all suppliers to execute anti-corruption commitments.
- (2) ***Connected transactions management:*** we have put in place connected transactions management policies for all of our Directors and employees to comply with. Trainings will be arranged for all of our Directors and senior management members on the relevant regulatory and [REDACTED] requirements in relation to our responsibilities and duties under these policies.
- (3) ***Business operation risk management:*** we have adopted various measures and procedures regarding relevant aspects of our business operation, including those related to the management of production, R&D, procurement of suppliers and customers, sales and marketing, environmental and safety protection, compliance with trade and economic sanctions, information system, human resources and data protection. We provide regular training on these measures and procedures to our employees. We also regularly monitor the implementation of these measures and procedures through internal inspection and monitoring process.
- (4) ***Financial reporting risk management:*** we have in place a set of policies and procedures for our financial reporting risk management. Our financial department reviews our management accounts to ensure our compliance with such policies and procedures.
- (5) ***Audit Committee and Board oversight:*** to monitor the ongoing implementation of our risk management policies, and strengthen the oversight of our Board over our internal controls, we have established the Audit Committee to revise and supervise our financial reporting process and internal control system on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operation. The Audit Committee consists of four members, namely, Mr.

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Chan Ngai Fan, Mr. Neo Poh Kiat, Mr. Fan Hao and Ms. Fan Conghui, with Mr. Chan Ngai Fan being the chairperson of the committee. See “Directors and Senior Management — Board Committees” in this document.

Furthermore, we have engaged an independent internal control consultant (the “**Internal Control Consultant**”) to perform a review in connection with the internal control of our Group and to report factual findings on our Group’s entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, inventory and logistics management, management of fixed assets and intangible assets, human resources and payroll management, cash and treasury management, taxation management, general controls of IT, R&D management, insurance management, production and cost management. During the review, the Internal Control Consultant identified certain non-material deficiencies such as lack of certain governance policies. We have adopted the appropriate internal control measures to address such deficiencies, and thereafter the Internal Control Consultant has not identified any material deficiencies in our internal control system.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Upon [REDACTED], our Board will consist of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. Our executive Directors and non-executive Directors are appointed for a term of three years, and our independent non-executive Directors are appointed for a term of one year. Our Directors are eligible for re-election upon expiry of their term of office. The Board is responsible for and has the general power over the management and operation of our business, including determining our business strategies and investment plans, implementing resolutions passed at our general meetings, and exercising other powers, functions and duties as conferred by the Articles of Association. The Board also assumes the responsibilities for developing and reviewing the policies and practices of the Company on corporate governance, risk management, internal control and compliance with legal and regulatory requirements.

The senior management currently consists of three members who are responsible for our day-to-day management and operation.

DIRECTORS

The following table provides the key information about our Directors as at the Latest Practicable Date:

Name	Age	Position	Date of joining our Group	Date of appointment of director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Ning Xingyong (寧興勇)	60	Executive Director and general manager	January 2022	January 2022	Overall strategic planning and management of our Group	None
Mr. Lu Yuming (陸玉明)	47	Executive Director and chief financial officer	January 2022	December 2025	Overall financial management and business operation of our Group	None
Dr. Huang Yongzhong (黃永仲)	56	Executive Director, employee Director and chief technology officer	January 2022	December 2025	Overall product research and development of our Group	None
Mr. Neo Poh Kiat (梁寶吉)	75	Non-executive Director	January 2026	January 2026	Providing advice on the operation and management of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment of director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Chen Hai (陳海)	45	Non-executive chairman of the Board, non-executive Director	December 2025	December 2025	Providing advice on the operation and management of our Group	None
Ms. Su Minghong (蘇鳴紅)	43	Non-executive Director	March 2022	December 2025	Providing advice on the operation and management of our Group	None
Mr. Fan Hao (范皓)	55	Independent non-executive Director	Upon [REDACTED]	Upon [REDACTED]	Supervising and providing independent opinions and judgements to the Board	None
Ms. Fan Conghui (范叢慧)	43	Independent non-executive Director	Upon [REDACTED]	Upon [REDACTED]	Supervising and providing independent opinions and judgements to the Board	None
Mr. Chan Ngai Fan (陳毅奮)	45	Independent non-executive Director	Upon [REDACTED]	Upon [REDACTED]	Supervising and providing independent opinions and judgements to the Board	None

Executive Directors

Mr. Ning Xingyong (寧興勇), aged 60, was appointed as a Director and the general manager of the Company since January 2022, and was re-designated as an executive Director in January 2026. He is primarily responsible for the overall strategic planning and management of the Group. He also served as the director of MTU Yuchai from June 2018 to December 2021.

Mr. Ning has over 30 years of experience in the power generator engine industry. From July 1989 to March 1996, Mr. Ning successively held various positions in GYMCL, including technician and deputy section chief of the foundry manufacture preparation department (製造部鑄造廠生產準備科). From March 1996 to January 1998, he served as a section chief of the foundry manufacture preparation department of GYMCL. From January 1998 to December 1999, Mr. Ning served as a director of the molding center under the production department processing and equipment company (生產部工藝裝備公司模具中心) of GYMCL. From December 1999 to December 2000, Mr. Ning served as the deputy plant manager and the plant manager of the processing and equipment plant (工藝裝備廠) of GYMCL. From December 2000 to October 2011, Mr. Ning served as a manager of

DIRECTORS AND SENIOR MANAGEMENT

the production department of GYMCL, and during this period he also undertook other managerial roles included assistant to general manager from April 2006 to December 2008 and acting deputy general manager from December 2008 to July 2009. In July 2009, Mr. Ning was appointed as a deputy general manager of GYMCL, a position he held until February 2013. From December 2012 to February 2019, Mr. Ning was appointed and served as the party committee secretary of GYMCL. From July 2015 to December 2025, Mr. Ning successively held various management positions in GYMCL included vice president, executive vice president, senior vice president and deputy general manager. In September 2018, Mr. Ning was appointed as the general manager of the marine and genset power division (the business of which was being transferred to the Company in 2022) and he was promoted as president of the division in January 2021.

Mr. Ning received his bachelor’s degree in mechanics with major in casting from the Guangxi University (廣西大學) in July 1989, and obtained the qualification certificate of intermediate level of speciality and technology as an engineer issued by the Personnel Department of Guangxi Zhuang Autonomous Region (廣西壯族自治區人事廳) in December 1996.

Mr. Lu Yuming (陸玉明), aged 47, an executive Director and chief financial officer of the Company. He is responsible for the overall financial management and business operation of our Group. Mr. Lu has been serving as the chief financial officer of the Company since January 2022 and a supervisor of the Company from January 2022 to March 2022. Mr. Lu also served as a supervisor of the MTU Yuchai from January 2017 to February 2025, and a director of MTU Yuchai from February 2025. Mr. Lu was appointed as a Director of the Company in December 2025 and was re-designated as an executive Director in January 2026.

Mr. Lu has over two decades of professional experience in accounting, financial reporting and control, and finance management. Prior to joining our Group, Mr. Lu has held various positions in GYMCL. From July 2001 to July 2007, Mr. Lu is responsible for the general ledger and reporting at GYMCL. From August 2007 to April 2011, Mr. Lu was the section chief of the accounting division at GYMCL, responsible for accounting operations. From May 2011 to January 2014, Mr. Lu served as a deputy manager and subsequently a manager of the finance department of GYMCL. In January 2014, Mr. Lu was further promoted to be the department head of the finance department at GYMCL, a role he held till December 2018. In addition to his work in the finance department, Mr. Lu was also appointed as the deputy chief accountant of GYMCL from November 2013 to February 2015 and further as the chief accountant from February 2015 to February 2022. Since February 2022, Mr. Lu was re-designated as deputy chief accountant of GYMCL, and was responsible for finance and administrative management as well as procurement and commercial management.

Mr. Lu received his bachelor’s degree in financial management (asset valuation) from the Zhejiang University (浙江大學) in June 2001. He also obtained an intermediate level accounting qualification certificate issued by the Ministry of Finance of the PRC (中華人民共和國財政部) in May 2005.

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Dr. Huang Yongzhong (黃永仲), aged 56, an Executive Director, employee Director and chief technology officer of the Company. He is responsible for overall product research and development of the Group. Dr. Huang joined the Company in January 2022 as a deputy general manager. He was further appointed as a Director of the Company in December 2025, and was re-designated as an Executive Director in January 2026.

Prior to joining our Group, Dr. Huang has held various positions in GYMCL. From July 1993 to December 2009, Dr. Huang has taken up various roles included technician, application development engineer, director engineer, technology section chief, and development department head of the marine and genset division of the engineering research institution of the GYMCL (工程研究院船電開發工程部). Thereafter, Dr. Huang served as the head of marine and genset division of the engineering research institution from January 2010 to January 2014. From January 2014 to January 2022, Dr. Huang was the deputy general manager of the marine and genset power division of GYMCL where he was primarily responsible for planning and R&D of power generation products. In addition, Dr. Huang was also the head of the research institution of the marine and genset power division of GYMCL from February 2014 to January 2015 and from January 2017 to January 2020. Dr. Huang was also the deputy chief engineer of GYMCL from January 2021 to January 2024.

Dr. Huang’s extensive industry experience is also demonstrated via his professional associations. Dr. Huang served as a member of the technical committee for mobile power stations of the China Electrotechnical Society (中國電工技術協會) between November 2015 to November 2019. He was appointed as a member of the Second Expert Committee of the China Internal Combustion Engine Industry Association (中國內燃機工業協會) in November 2018. Between November 2021 and November 2025, Dr. Huang also served as the director of Guangxi Society of Internal Combustion Engines (廣西內燃機學會). From January 2024 to the present, Dr. Huang has served as deputy director of Guangxi Low Carbon Intelligent Power Laboratory. In August 2025, Dr. Huang was appointed as a council member of the inaugural council of the Innovation Center of the China Society of Internal Combustion Engines (Guangxi).

Dr. Huang obtained his bachelor’s degree in mechanical manufacture and equipment from the Guangxi University of Technology (廣西工學院) in June 1993. He further obtained his master’s degree in power engineering in December 2007 and doctoral degree in power engineering and engineering thermophysics in October 2025, both from Wuhan University of Technology (武漢理工大學). Dr. Huang was also qualified as a senior engineer and chief senior engineer in December 2008 and December 2019 by the Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region (廣西壯族自治區人力資源和社會保障廳), respectively.

Non-executive Directors

Mr. Neo Poh Kiat (梁寶吉), aged 75, was appointed as a non-executive Director of the Company in January 2026. He is responsible for providing advice on the operation and management of the Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Neo has extensive experience in the banking and finance industry for over 40 years. From January 1976 to January 1994 and from August 1996 to July 2001, he held various senior managerial positions with companies in the director of DBS Bank group including executive director at DBS Securities Hong Kong Limited and DBS Securities Holding Pte Ltd., managing director at DBS Asia Capital Limited and general manager at DBS Hong Kong Branch. Mr. Neo also served as a general manager (leasing) of Sino Land Ltd from January 1994 to August 1996. From April 2001 to January 2005, Mr. Neo served as the country officer, China and head of corporate banking, greater China of United Overseas Bank Limited. From January 2005 to 30 June 2021, Mr. Neo served as a managing director of Octagon Advisors Pte Ltd, a financial consultancy firm based in Singapore and managing director of Octagon Advisors (Shanghai) Co Ltd from January 2005 to November 2018.

Mr. Neo has been an independent director of CYI (listed on NYSE, stock code: CYD) since May 2005 and an independent director of ValueMax Group Limited (listed on the Singapore Stock Exchange, stock code T6I) since January 2022. Mr. Neo has also served as an independent non-executive director of CapitaLand China Trust Management Limited, the manager of CapitaLand China Trust (listed on the Singapore Stock Exchange, stock code AU8U) from April 2017 to October 2025.

Mr. Neo obtained a degree of bachelor of commerce with honors from Nanyang University, Singapore in July 1973.

Mr. Chen Hai (陳海), aged 45, was appointed as a Director of the Company in December 2025, and was re-designated as a non-executive Director in January 2026. He is responsible for providing advice on the operation and management of the Group. He was also appointed as the non-executive chairman of the Board in January 2026.

Prior to joining the Group, Mr. Chen has held various positions in GYMCL. From August 2004 to December 2009, Mr. Chen has taken up various roles including assembly technician and section chief of the technical quality control section at engine plant one (發動機一廠技術質量科). From January 2010 to January 2014, Mr. Chen served as the deputy head and subsequently, the head of the engine plant one. From January 2014 to May 2016, Mr. Chen was appointed and served as the head of the engine plant five (五發廠) and the head of engine plant three (三發廠) from May 2016 to December 2016. From December 2016 to June 2017, Mr. Chen was appointed as the vice general manager of manufacture department of GYMCL. From June 2017 to March 2020, Mr. Chen was the head of the procurement department of GYMCL and then he moved on to serve as senior director of the quality control department of GYMCL from March 2020 to January 2021. Mr Chen was appointed and served as the acting deputy president of GYMCL from January 2021, thereafter he was promoted to deputy president of GYMCL, a position he held till November 2025. Mr. Chen was designated as a general manager of GYMCL since November 2025.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen received a bachelor’s degree in vehicle engineering from the Wuhan University of Technology (武漢理工大學) in June 2004, and a master’s degree in vehicle engineering from Hunan University (湖南大學) in October 2015. Mr. Chen was also qualified as an associate senior engineer (副高級工程師) in December 2024 by the Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region (廣西壯族自治區人力資源和社會保障廳).

Ms. Su Minghong (蘇鳴紅), aged 43, non-executive Director of the Company. She is responsible for providing advice on the operation and management of the Group. Ms. Su joined the Company in March 2022, and served as a supervisor until December 2025, and has been appointed a Director of the Company in December 2025. She was re-designated as a non-executive Director in January 2026.

Ms. Su has over 10 years of experience in financial management. Prior to joining the Group, Ms. Su has held various positions in GYMCL. From January 2013 to January 2014, Ms. Su worked as an assistant to manager of the budget management department of GYMCL. From January 2014 to February 2017, she served as the deputy head of the operation and budget department of GYMCL. She was subsequently appointed deputy head of the cost and revenue department of GYMCL from February 2017 to December 2018 and the deputy head of the finance department of GYMCL from December 2018 to January 2022. From January 2022 to January 2025, she served as head of the finance department of GYMCL. From January 2025 to August 2025, she has been the deputy chief accountant of GYMCL and she was promoted to chief accountant of GYMCL in August 2025.

Ms. Su obtained her bachelor’s degree in accounting from Qingdao University of Technology (青島理工大學) in July 2006 and was qualified as a senior accountant in December 2019 by the Department of Human Resources and Social Security of Guangxi Zhuang Autonomous Region (廣西壯族自治區人力資源和社會保障廳).

Independent non-executive Directors

Mr. Fan Hao (范皓), aged 55, is appointed as an independent non-executive Director of the Company and his appointment will be conditional and effective upon [REDACTED]. He is responsible for supervising and providing independent opinions and judgements to the Board.

Since 2003, he has been the chairman and the general manager of Sichuan Jierun Trading Co., Ltd* (四川杰潤貿易有限公司). Since 2015, he has also been the chairman and the general manager of Chengdu Jingliang Workshop Technology Co., Ltd* (成都市精良工坊科技有限公司).

In addition, Mr. Fan has been the president of the Sichuan Innovation and Entrepreneurship Promotion Association* (四川創新創業促進會會長) since 2022 and secretary-general of the southwest branch of the Tsinghua Entrepreneur Association since 2021.

Mr. Fan graduated from the Tsinghua University (清華大學), department of precision instruments, with a bachelor’s degree in mechanical design and manufacturing in July 1993.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Fan Conghui (范叢慧), aged 43, is appointed as an independent non-executive Director of the Company and her appointment will be conditional and effective upon [REDACTED]. She is responsible for supervising and providing independent opinions and judgements to the Board.

From July 2007 to December 2011, she served at China International Electronic Commerce Co., Ltd. (中國國際電子商務有限公司) under the Ministry of Commerce, where she held various positions included research commissioner and deputy general manager of the strategic planning department, and secretary to the board of directors, in which she was principally responsible for formulating strategic plans, providing legal advice and refining the corporate governance structure. Since January 2012, she has been a lawyer at Beijing Long An Law Firm, and has been a partner and head of its Foshan office and Changchun office.

Ms. Fan obtained her bachelor degree in management with the major of financial management from Zhengzhou University of Aeronautics (鄭州航空工業管理學院) in June 2004, and obtained her master's degree in law from the University of International Business and Economics (對外經濟貿易大學) in June 2007. She was qualified as lawyer and received her license from the Ministry of Justice of the PRC (中華人民共和國司法部) since 2012 and holds the qualification of enterprise legal advisor of the PRC from Ministry of Justice of the PRC (中華人民共和國司法部), Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and State-owned Assets Supervision and Administration Commission of the State Counsel of the PRC (國務院國有資產監督管理委員會) since October 2010.

Mr. Chan Ngai Fan (陳毅奮), aged 45, is appointed as an independent non-executive Director in and his appointment will be conditional and effective upon [REDACTED]. He is responsible for supervising and providing independent opinions and judgements to the Board.

Mr. NF Chan has extensive corporate experience, with a focus on finance and executive management. He began his career as an assurance assistant manager at Grant Thornton (均富會計師行) (now JBPB & Company) from August 2007 to February 2011. He then served as chief financial officer at Naigai Mining (China) Company Limited (內外礦業(中國)有限公司) from March 2011 to April 2015, and as chief financial officer of KPa-BM Holdings Limited (應力控股有限公司), a company listed on the Stock Exchange (stock code: 2663), from May 2015 to April 2018.

Mr. NF Chan subsequently held a series of roles, including non-executive director from September 2016 to April 2018, executive director and chief financial officer from April 2018 to January 2019, and non-executive director from January 2019 to March 2019 at Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司), a company previously listed on the Stock Exchange (previous stock code: 8301, delisted in November 2021). He also served as chief financial officer and company secretary at Heysea International Yacht Company Limited (海星國際遊艇有限公司) from May 2019 to April 2020.

DIRECTORS AND SENIOR MANAGEMENT

He was an independent non-executive director of Sino Vision Worldwide Holdings Limited (新維國際控股有限公司), a company previously listed on the Stock Exchange (previous stock code: 8086, delisted in March 2023) from August 2017 to September 2018, an independent non-executive Director of Sanxun Holdings Group Limited (三巽控股集團有限公司), a company listed on the Stock Exchange (stock code: 6611), from September 2019 to September 2023, an independent non-executive director of Contel Technology Company Limited (康特隆科技有限公司), a company listed on the Stock Exchange (stock code: 1912), from March 2022 to June 2023, and an independent non-executive director of Capital Finance Holdings Limited (首都金融控股有限公司), a company listed on the Stock Exchange (stock code: 8239) from January 2022 to September 2025.

Currently, Mr. NF Chan has served as an independent non-executive director of four companies listed on the Stock Exchange. In particular, he served as an independent non-executive director of Leader Education Limited (立德教育股份有限公司), a company listed on the Stock Exchange (stock code: 1449) since July 2020, an independent non-executive director of Persistence Resources Group Ltd. (集海資源集團有限公司), a company listed on the Stock Exchange (stock code: 2489) since November 2023, an independent non-executive director of Smart Fish Wealthlink Holdings Limited (小魚盈通控股有限公司) (previously known as Central Wealth Group Holdings Limited (中達集團控股有限公司)), a company listed on the Stock Exchange (stock code: 0139) since July 2024, and an independent non-executive director of Anhui Jinyan Kaolin New Materials Co., Ltd. (安徽金岩高嶺土新材料股份有限公司), a company listed on the Stock Exchange (stock code: 2693) since October 2024.

Mr. NF Chan also served as a company secretary of four companies listed on the Stock Exchange. He has served as a joint company secretary of Centenary United Holdings Limited (世紀聯合控股有限公司), a company listed on the Stock Exchange (stock code: 1959) since January 2019, a company secretary of China Health Technology Group Company Limited (中國健康科技集團控股有限公司), a company listed on the Stock Exchange (stock code: 1069) since May 2021, a company secretary of Zhengwei Group Holdings Company Limited (正味集團控股有限公司), a company listed on the Stock Exchange (stock code: 2147) since June 2022, a company secretary of Bison Finance Group Limited (貝森金融集團有限公司), a company listed on the Stock Exchange (stock code: 0888) since August 2022.

Mr. NF Chan obtained a bachelor's degree in arts (Honors) in accountancy from the Hong Kong Polytechnic University in December 2007, and a master's degree in corporate governance from the same university in October 2013. Mr. NF Chan is a Certified Public Accountant (Practicing) in Hong Kong authorized by Accounting and Financial Reporting Council in January 2024. He was admitted to graduateship of The Institute of Chartered Secretaries & Administrators in December 2016 and was admitted as an associate of The Hong Kong Institute of Chartered Secretaries (currently known as The Hong Kong Chartered Governance Institute). He is also a Chartered Secretary and a Chartered Governance Professional of The Hong Kong Chartered Governance Institute.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table provides the key information about our senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining the Group</u>	<u>Date of appointment of director</u>	<u>Roles and responsibilities</u>	<u>Relationship with other Directors and senior management</u>
Mr. Ning Xingyong (寧興勇)	60	Executive Director and general manager	January 2022	January 2022	Overall strategic planning and management of the Group	None
Mr. Lu Yuming (陸玉明)	47	Executive Director and chief financial officer	January 2022	December 2025	Overall financial management of the Group and business operation	None
Dr. Huang Yongzhong (黃永仲)	56	Executive Director, employee Director and chief technology officer	January 2022	December 2025	Overall product research and development of the Group	None

For the biographical details of Mr. Ning, Mr. Lu and Dr. Huang, see “Directors” in this section.

GENERAL

As of the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries,

- (i) saved as disclosed above, none of the Directors or members of the senior management has held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this document;
- (ii) none of the Directors or members of the senior management of the Company was related to any other Directors and members of their senior management;
- (iii) save as disclosed in “Statutory and General Information” as out in Appendix IV to this document, none of the Directors or general manager of the Company held any interest in the Shares which would be required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance; and
- (iv) there was no additional matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. Ye Yashi (葉雅詩), aged 35, was appointed as the secretary to the Board of our Company in December 2025, and will be re-designated as a joint company secretary upon [REDACTED]. Prior to joining our Group, from May 2015 to February 2018, Ms. Ye served as a Japanese translator in GYMCL and provided interpretation services to experts. From February 2018 to November 2025, she served as the secretary to the Board office at GYMCL, where she was principally responsible for organizing, coordinating and managing matters relating to the board and shareholders. From December 2018 to November 2025, Ms. Ye also served as the secretary to the supervisory committee of GYMCL, where she was principally responsible for assisting the supervisors to discharge their responsibilities. Meanwhile, Ms. Ye has served as the senior manager of industry development in corporate management department of GYMCL from February 15, 2023.

Ms. Ye received her bachelor’s degree in Japanese from Guangxi Normal University (廣西師範大學) in November 2012, and a master’s degree in modern social humanities from Kumamoto University (熊本大學) in March 2015.

Ms. Mak Sin Ki (麥善琪), has been conditionally appointed as one of our joint company secretaries in January 2026, which will come into effect upon [REDACTED]. She is responsible for providing corporate secretarial and compliance services to our Company.

Ms. Mak has over 7 years of experience in company secretary and corporate governance fields. Since December 2022, Ms. Mak has been working as an assistant manager for Vistra Corporate Services (HK) Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Mak is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She is also a holder of the Practitioner’s Endorsement issued by the Hong Kong Chartered Governance Institute.

Ms. Mak obtained her bachelor’ degree in Chinese and Bilingual Studies from The Hong Kong Polytechnic University in 2016 and her master degree in Professional Accounting and Corporate Governance from the City University of Hong Kong in 2021.

BOARD COMMITTEES

We have established the following committees within our Board of Directors, namely, Audit Committee, Remuneration Committee, Nomination Committee, Strategy Committee and ESG Committee. The committee operate in accordance with the terms of reference adopted by our Board.

Audit Committee

We [have established] our Audit Committee on [●] by a resolution of the Board passed on [●] with written terms of reference in compliance with Rules 3.21 of the Listing Rules and the Paragraph D.3 in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Audit Committee [consists] of four members, namely, Mr. Chan Ngai Fan, Mr. Neo Poh Kiat, Mr. Fan Hao and Ms. Fan Conghui. With the appropriate accounting and financial management expertise, Mr. Chan Ngai Fan is the chairperson of the committee. The primary duties

DIRECTORS AND SENIOR MANAGEMENT

of the Audit Committee include (i) making recommendations to our Board on the appointment, re-appointment and removal of external auditors; (ii) reviewing the financial statements; (iii) providing material advice in respect of our financial reporting process; (iv) overseeing our internal control and risk management systems and audit process and discussing the risk management and internal control system with management to ensure that management has performed its duty to have effective systems; and (v) provide advice and comments to our Board on matters relating to corporate governance.

Remuneration Committee

We [have established] our Remuneration Committee on [●] by a resolution of the Board passed on [●] with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Paragraph E.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Remuneration Committee [consists] of three members, namely Mr. Fan Hao, Mr. Neo Poh Kiat and Ms. Fan Conghui. Mr. Fan Hao is the chairperson of the committee. The primary duties of the Remuneration Committee include (i) making recommendations to the Board regarding our policy and structure for the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; and (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management and on the employee benefit arrangement.

Nomination Committee

We [have established] our Nomination Committee on [●] by a resolution of the Board passed on [●] with written terms of reference in compliance with the Paragraph B.3 in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Nomination Committee [consists] of three members, namely Ms. Fan Conghui, Mr. Neo Poh Kiat, and Mr. Chan Ngai Fan. Ms. Fan Conghui is the chairperson of the committee. The primary duties of the Nomination Committee include (i) making recommendations to review the structure, size and composition (including the skills, knowledge and experience) of our Board; and (ii) reviewing and making recommendations to the Board on appointment of Directors and the management of the Board succession.

Strategy Committee

We [have established] our Strategy Committee on [●] by a resolution of the Board passed on [●] with written terms of reference. The Strategy Committee [consists] of five Directors, namely Mr. Ning Xingyong, Mr. Lu Yuming, Dr. Huang Yongzhong, Mr. Chen Hai and Ms. Su Minghong, with Mr. Ning Xingyong currently serving as the chairman. The Strategy Committee is mainly responsible for reviewing and advising on long-term strategies and major investment plan of the Company.

DIRECTORS AND SENIOR MANAGEMENT

ESG Committee

We [have established] a ESG Committee on [●] by a resolution of the Board passed on [●] with written terms of reference with the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The ESG Committee [consists] of Mr. Ning Xingyong, Mr. Lu Yuming and Dr. Huang Yongzhong. Mr. Ning Xingyong is the chairperson of the committee. The primary duties of the ESG Committee are to assess the Company’s environmental, social and governance responsibilities and risk and opportunities, and to formulate the Company’s environmental, social and governance vision, objectives and strategies.

COMPLIANCE WITH THE CODE PROVISIONS OF APPENDIX C1 TO THE LISTING RULES

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we will comply with the code provisions set out in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules after the [REDACTED].

BOARD DIVERSITY POLICY

We are committed to promoting the culture of diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure. We have adopted the board diversity policy which sets out the objectives and approaches to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board.

Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background and length of service. The ultimate decision of the appointment has to be based on merits and the contribution which the selected candidates are expected to bring to our Board.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Group in the form of fees, salaries, bonus and contributions to pension schemes, allowances and benefits in kind. The aggregate remuneration (including salaries, bonuses, share-based compensations, contributions to pension schemes, other social security costs and other employee benefits) received by our Directors were approximately RMB3.7 million, RMB9.4 million and RMB7.3 million for the two years ended December 31, 2023 and 2024, and the nine months ended September 30, 2025, respectively. None of our Directors had waived any remuneration during the same period.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, no other payments had been made or are payable during the Track Record Period by our Group to our Directors or the five highest paid individuals.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2025 to be approximately RMB11.8 million.

COMPLIANCE ADVISOR

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor in compliance with Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and seek advice from our compliance advisor in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the securities of our Company, the possible development of a false market in the securities of our Company or any other matters.

The term of the appointment of the compliance advisor shall commence on the [REDACTED] and is expected to end on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on January 9, 2026 or January 23, 2026, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his/her appointments.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

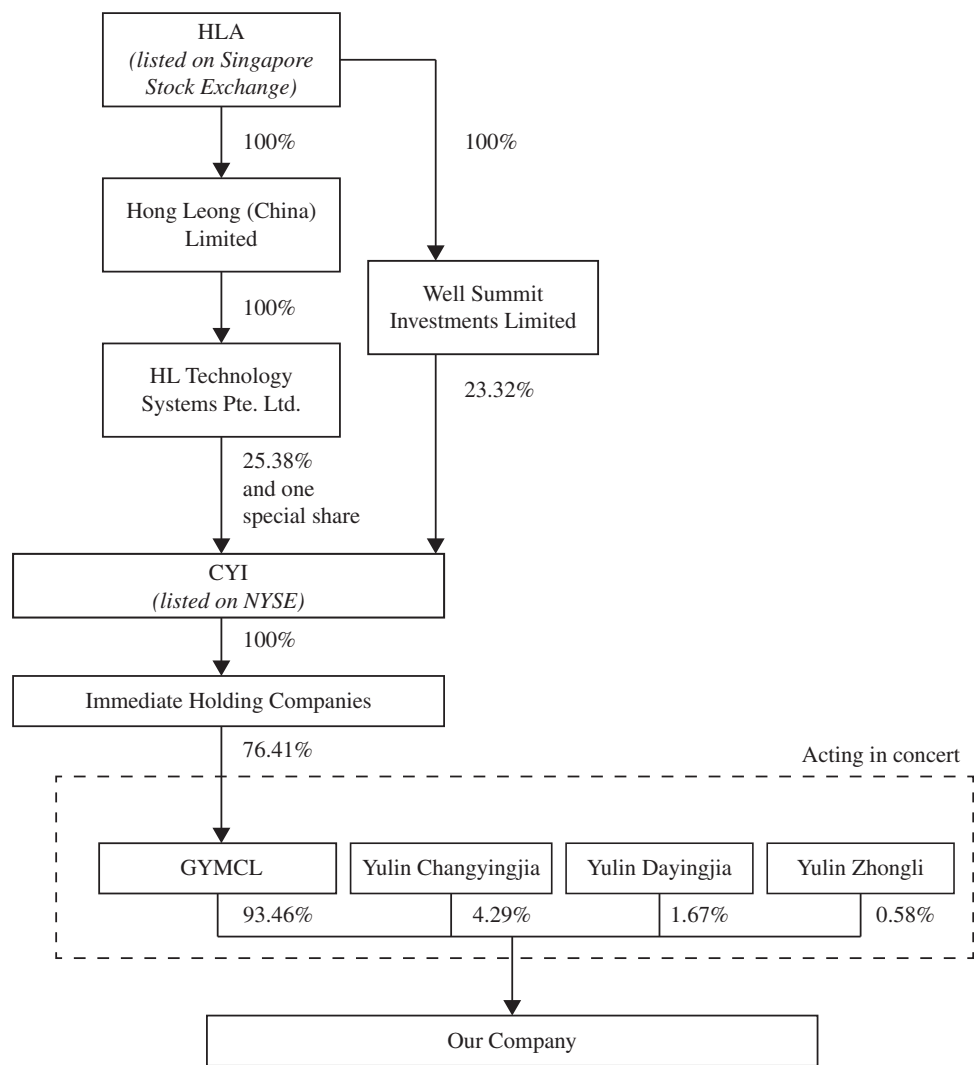
The Company was incorporated in 2017 as a wholly owned subsidiary of GYMCL, with the principal business of selling *mtu* branded engines. In 2022 GYMCL injected the business of marine and genset power into the Company, following which the Company established a robust product portfolio in generators and marine engines. In December 2025, we converted into a joint stock limited company. As of the Latest Practicable Date, our Company was owned as to approximately 93.46% by GYMCL. Immediately following the completion of the [REDACTED] (assuming no exercise of the [REDACTED]), GYMCL will hold approximately [REDACTED]% of the total issued share capital of our Company.

As of the Latest Practicable Date, GYMCL was owned as to 76.41% by CYI through six intermediate holding companies (“**Immediate Holding Companies**”), all of which are wholly-owned by CYI, including:

- (i) HLTS which held 22.26% of equity interest of GYMCL;
- (ii) Earnest Assets which held as to 21.45% of equity interest of GYMCL;
- (iii) Cathay Diesel Holdings which held as to 12.64% of GYMCL;
- (iv) Tsang & Ong which held as to 12.64% of equity interest of GYMCL;
- (v) GSGH which held as to 5.22% of GYMCL; and
- (vi) Youngstar which held as to 2.20% of GYMCL.

As of the Latest Practicable Date, CYI, whose shares are listed on NYSE, was held as to 48.70% by HLA, (through Hong Leong (China) Limited, HL Technology Systems Pte. Ltd. and Well Summit Investments Limited) 26.75% by public shareholders, 20.09% by GY Entities and 4.46% by Shah Capital Management, an Independent Third Party. In addition, HLA beneficially owns a special share in CYI through its subsidiaries that entitles it to elect a majority of directors in CYI and no shareholders’ resolution may be passed without the affirmative vote of the special share. A simplified illustration of the aforementioned corporate structure immediately before the [REDACTED] is set out below.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS



See “History, Development and Corporate Structure” in this document for further details.

Since the introduction of the Limited Partnership Platforms as shareholders of our Company through capital increase in June 2024, the Limited Partnership Platforms and GYMCL have been acting in concert with each other based on their respective partnership agreements, in which the Limited Partnership Platforms shall act in concert with GYMCL and exercise the same manifestation of intent as GYMCL when exercising its voting rights in our Company.

Immediately following the completion of the [REDACTED], GYMCL, HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH, Youngstar, CYI, HL Technology Systems Pte. Ltd., Hong Leong (China) Limited, Well Summit Investments Limited, HLA, Yulin Dayingjia, Yulin Changyingjia and Yulin Zhongli will constitute a group of Controlling Shareholders under the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INFORMATION OF BUSINESS OF OUR GROUP AND OUR CONTROLLING SHAREHOLDERS

Our Group

We design, develop, manufacture and sell power generators, marine engines, power generator sets and engine components. We serve a wide array of markets across the economy, including data center, distributed power station, infrastructure construction, telecommunications, healthcare, mining, agriculture, oil & gas and vessel transportation and operation sectors. See “Business” in this document for further details of our business.

GYMCL

GYMCL is our Controlling Shareholder and is principally engaged in the design, manufacture, assembly and sales of a wide variety of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment, as well as marine and power generation applications through our Group. It offers a comprehensive portfolio of powertrain solutions, including but not limited to diesel, natural gas, and new energy products such as pure electric, range extenders, and hybrid and fuel cell systems.

CYI Group

CYI, the controlling shareholder of GYMCL, is a company listed on the New York Stock Exchange under the symbol of “CYD”. Its primarily acts as a holding company for its principal subsidiary, GYMCL through six wholly owned subsidiaries, HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH and Youngstar.

HLTS, Earnest Assets, Cathay Diesel Holdings, Tsang & Ong, GSGH and Youngstar are investment holding companies of GYMCL without any substantive business.

HLA Group

HLA, the controlling shareholder of CYI, is a company listed on the main board of the Singapore Stock Exchange (SGX: H22) since 1998 with core businesses in powertrain solutions and building materials. The building material business supplies cement, ready-mix concrete and precast concrete elements for the built environment in Singapore and Malaysia. For the powertrain solutions business, HLA Group principally operates through CYI and GYMCL.

Hong Leong (China) Limited is principally engaged in the provision of other business support service activities, whereas HL Technology Systems Pte Ltd and Well Summit Investments Limited are investment holding companies.

Yulin Dayingjia, Yulin Changyingjia and Yulin Zhongli

Yulin Changyingjia and Yulin Zhongli were established in the PRC as employee share incentive platforms of our Company, and Yulin Dayingjia was established in the PRC as a shareholding platform under which partnership interest were awarded to eligible participants who

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

are employees of GYMCL and its subsidiaries other than our Company. See “History, Development and Corporate Structure — Limited Partnership Platforms” in this document for further details of Yulin Dayingjia, Yulin Changyingjia and Yulin Zhongli.

DELINEATION OF BUSINESSES

The Directors are of the view that there is clear delineation between the principal business of our Group and those of GYMCL Connected Persons. In particular, our Group focuses on the design, develop, manufacture and sale of power generator engines and marine propulsion and auxiliary engines, whereas other than specifically disclosed in the table below, GYMCL Connected Persons primarily focus on the design, develop, manufacture and sales of engines for other uses such as trucks, buses, pickups, construction and agriculture equipment. Although there are certain products where we collaborate with certain members of GYMCL Connected Persons, for the reasons below, we do not consider to be competing with our Group’s business.

<u>GYMCL Connected Persons</u>	<u>Principal business undertaken</u>	<u>Collaboration with our Group and its associate</u>	<u>Differentiation</u>
(a) GYMCL (i)	GYMCL’s business includes the sale of 6TD and VTD series engine products for applications other than power generation and marine propulsion, along with the development of corresponding non-critical components.	Our business includes the development and manufacture of 6TD and VTD series engine products, and the sales of the 6TD and VTD series engine products to GYMCL for application other than power generation and marine propulsion, and other customers for power generation and marine propulsion.	Although the engines sold by GYMCL and our Group fall within the same 6TD and VTD series, their technical specifications vary by application and are not interchangeable. An engine designed for one application cannot be substituted for use in another. In particular, GYMCL neither develops nor manufactures the 6TD and VTD series engines and sells their engines only for the applications other than power generation and marine propulsion applications. By contrast, we develop and manufacture and sell those engines for the purpose of power generation and marine propulsion.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

GYMCL Connected Persons	Principal business undertaken	Collaboration with our Group and its associate	Differentiation
(ii)	GYMCL’s future business may include the development, production and sales of new engine series for applications other than power generation and marine propulsion.	Our future business may include the development, production and sale of new engine series for the application of power generation and marine propulsion.	GYMCL intends to focus on new engine series for non-power generation and non-marine propulsion applications, whereas we intend to focus on new engine series for the application of power generation and marine propulsion.
(iii)	Given that our business was historically managed directly by GYMCL and subsequently injected into our Company, certain customers have continued to recognize GYMCL as their approved supplier in respect of power generation related products. Against this backdrop, during the Track Record, GYMCL purchased our power generator sets from our OEM suppliers and then supplied them to three of their existing end customers. The total value of transactions under such contracts amounted to less than 3% of our aggregated revenue during each financial year of Track Record Period.		GYMCL is not engaged in the manufacture or production of power generator sets. This arrangement reflects the collaboration between GYMCL and our Group.
(b) Simlan Technology and its wholly owned subsidiary	Simlan Technology and wholly owned subsidiary engage in the design, development, manufacture and sale of range extender (a power generation unit for the recharge of battery) for applications other than power generation and marine propulsion.	Our Group engages in the design, development, manufacture and sale of engine for the application of power generation and marine propulsion.	We do not manufacture and develop range extender for marine propulsion. However, in order to offer more products for our customers, we intend to procure range extender and engage in the sale of range extender for marine propulsion going forward.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

GYMCL Connected Persons	Principal business undertaken	Collaboration with our Group and its associate	Differentiation
(c) Y&C Engine	Y&C Engine principally manufactures 6K-platform series engines for various applications, and exclusively sells such engines for power generation and marine propulsion to our Group.	Our Group is involved in the design, development, manufacture and sale of power generators and marine engines. In particular, we also sell 6K-platform series engines manufactured by Y&C Engine for power generation and marine propulsion to our customers.	As of the Latest Practicable Date, GYMCL held 45% of the shares of Y&C Engine. Although the engines sold by Y&C Engine and our Group fall within the same 6K-platform series, their technical specifications vary by application and are not interchangeable. An engine designed for one application cannot be substituted for use in another. We do not manufacture and develop 6K-platform series engines for power generation, but in order to offer a comprehensive product portfolio to our customers, we purchased the same from Y&C Engine for sales to our customers for the application of power generation and marine propulsion. As confirmed by GYMCL, Y&C Engine exclusively sold such engines to our Group during the Track Record Period.

For the reasons stated above, we believe that there is neither substantial competition (direct or indirect) nor material conflicts of interest between the business of our Group and the GYMCL Connected Persons. Nevertheless, to ensure that competition will not develop between the GYMCL Connected Persons (on the one hand) and our Group (on the other hand) in the future, GYMCL will provide certain undertakings to our Company. See “Deed of Non-Competition” below for further details.

Save as disclosed above, as of the Latest Practicable Date, none of the members of the Controlling Shareholder Group, our Directors or their respective close associates was interested in any business, other than our Group’s business, which competes or is likely to compete, either directly or indirectly, with our Group’s business which require disclosure pursuant to Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Deed of Non-Competition

In order to avoid any potential competition between (i) GYMCL Connected Persons on the one hand; and (ii) our Group on the other hand, GYMCL has entered into the Deed of Non-competition in favor of our Company (for itself and on behalf of our Group). Pursuant to the Deed of Non-Competition, subject to the exceptions set out below, GYMCL has irrevocably and unconditionally undertaken to our Company that it would not, and would procure that its subsidiaries (other than our Group) not to, during the Restricted Period (as defined below), directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company (except through any member of our Group), among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent or otherwise, and whether for profit, reward or otherwise) any Restricted Business (as defined below), whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person.

The “**Restricted Business**” stated in the Deed of Non-Competition refers to any activity or business which competes, or is likely to compete, either directly or indirectly, with:

- (a) the design, develop, manufacture and sell of power generator engines, marine engines, power generator sets, and others auxiliary products for power generation and marine propulsion; and
- (b) any other business from time to time conducted, entered into, engaged in or invested in by any member of our Group or which our Company has otherwise published an announcement on the website of the Stock Exchange stating its intention to conduct, enter into, engage in or invest in, save as disclosed in this document.

The obligation of the GYMCL under the Deed of Non-Competition will remain binding until the earlier of the followings:

- (a) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange for any reason); or
- (b) the date on which the GYMCL and its close associates, collectively cease to be entitled to exercise or control the exercise of less than 30% in aggregate of the voting power at general meetings of our Company or otherwise cease to be one of the Controlling Shareholders of our Company.

“**Restricted Period**” shall mean the period commencing on the [REDACTED] until the earlier of the above events.

GYMCL has also undertaken to our Company, that as permitted under the relevant laws and regulations, to provide all information requested by our Company which is necessary for the annual review by our Independent non-executive Directors of the GYMCL and/or its subsidiaries’ compliance with the undertakings and the enforcement of the Deed of Non-competition.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

GYMCL has further undertaken to our Company that in the event that it or its subsidiaries (other than our Group) is given/identified/offered/made available any business investment or commercial opportunity relating to the Restricted Business (the “**New Business Opportunity**”), it will and will procure its subsidiaries to refer the New Business Opportunity to our Company as soon as practicable in the following manner:

- (a) GYMCL is required to, and shall procure its subsidiaries (other than any member of our Group) to, refer, or to procure the referral of, the New Business Opportunity to our Company, and shall give written notice (the “**Offer Notice**”) as soon as reasonably practicable to our Company of any New Business Opportunity containing all information reasonably necessary for our Company to consider whether (i) such New Business Opportunity would constitute the Restricted Business; and (ii) it is in the interest of our Group to pursue such New Business Opportunity, including but not limited to the nature of the New Business Opportunity, the identity of the target asset(s) or company(ies) (if applicable), and the details of the investment or acquisition costs;
- (b) as soon as reasonably practicable after receiving the Offer Notice, our Company shall seek approval from a board committee (comprising only our independent non-executive Directors who do not have any interest, actual or potential, direct or indirect in the relevant New Business Opportunity) (the “**Independent Board**”) as to whether to pursue or decline the New Business Opportunity. Any Director who has actual or potential, direct or indirect interest in the New Business Opportunity shall not be a member of the Independent Board;
- (c) the Independent Board shall take into account all relevant factors in considering whether our Company shall pursue the New Business Opportunity. Such factors may include, among other things, the financial impact of pursuing the New Business Opportunity, whether the nature of the New Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions. If appropriate, the Independent Board may, at the cost of our Company, appoint independent financial advisors, legal advisors and other professional advisors to assist in the decision-making process in relation to such New Business Opportunity;
- (d) the Independent Board shall, within 30 business days upon receipt of the Offer Notice inform the relevant Non-Competing Shareholder in writing on behalf of our Company of its decision whether to pursue or decline the New Business Opportunity;
- (e) GYMCL and/or its subsidiaries shall be entitled (but not obliged) to pursue such New Business Opportunity (i) if it has received a notice from the Independent Board declining such New Business Opportunity, or (ii) if the Independent Board has failed to respond within such 30 business days period pursuant to sub-paragraph (d) above; and
- (f) if there is any material change in the nature, terms or conditions of such New Business Opportunity pursued by GYMCL, it shall refer such New Business Opportunity as so revised to our Company in the manner as outlined in the Deed of Non-competition as if it were a New Business Opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Nothing in the Deed of Non-Competition shall preclude GYMCL or their subsidiaries from holding interest in the shares of a company provided that any Restricted Business conducted or engaged in by such company or its subsidiaries (or assets relating thereto) accounts for less than 5% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited consolidated accounts.

Undertakings in relation to the GYMCL Connected Persons

In respect of the GYMCL Connected Persons, GYMCL has irrevocably and unconditionally undertaken to our Company that it will not, whether directly or indirectly, compete with our Group in the following manner:

(a) ***GYMCL:***

- (i) with respect to GYMCL’s business involving the sale of 6TD and VTD series engine products, GYMCL undertakes that, during the Restricted Period, the GYMCL Connected Persons will not develop, manufacture or commission any third party to manufacture any 6TD or VTD series engine products for power generation and marine propulsion;
- (ii) with respect to GYMCL’s potential future business involving the development, production and sales of new engine series for applications other than power generation and marine propulsion, GYMCL undertakes that, during the Restricted Period, the GYMCL Connected Persons will not sell new engine series for the application of power generation or marine propulsion to companies or individual other than our Group; and
- (iii) with respect to GYMCL’s procurement of our power generator sets from our OEM customers and its subsequent sale of such products to their existing end customers, GYMCL undertakes that, on or before the third anniversary of the Company’s [REDACTED], GYMCL Connected Persons will only purchase our power generator sets from our OEM customers and sell to their particular existing end customer in response to our Group’s request. From the third anniversary of the [REDACTED] onwards and until the end of the Restricted Period, GYMCL Connected Persons will cease all such sales activities.

At the same time, our Group undertakes that we will independently become an approved supplier for these specific customers on or before the third anniversary of the [REDACTED] of the Company.

- (b) ***Simlan Technology and its wholly owned subsidiary:*** GYMCL undertakes that, during the Restricted Period, other than exclusively selling to our Group, Simlan Technology will not sell range extender for the application of power generation and marine propulsion; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) **Y&C Engine:** GYMCL undertakes that, during the Restricted Period, it will use its best efforts to exercise its rights as a minority shareholder of Y&C Engine (holding 45% of the shares of Y&C Engine) and will exercise its shareholding rights to restrict Y&C Engine from expanding its business of manufacturing 6K-platform series engine for power generation and marine propulsion.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders and their respective close associates after the [REDACTED] for the reasons set out below.

Management Independence

Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. We also have a senior management team comprised of our three executive Directors.

As at the Latest Practicable Date, Yulin Changyingjia held 4.29% of the shares in our Company, and Mr. Ning, our executive Director and general manager, was and will continue to be its executive partner. Similarly, Yulin Dayingjia held 1.67% of shares in our Company and Mr. Chen, our non-executive Director and chairman of the Board, was and will continue to be its executive partner, and at the same time, continue to be the general manager of GYMCL and a director of certain subsidiaries of GYMCL. In addition, Mr. Neo and Ms. Su, our non-executive Directors, will continue to hold positions in our Controlling Shareholders or companies in which they have 30% or more interests:

<u>Name of Director</u>	<u>Positions within our Group</u>	<u>Position in our Controlling Shareholder or companies in which they have 30% or more interests</u>
Mr. Ning	Executive Director and general manager	Executive partner of Yulin Changyingjia
Mr. Chen	Non-executive Director	- General manager of GYMCL - Executive partner of Yulin Dayingjia - Director of Guangxi Yuchai Mould Equipment Company Limited* (廣西玉柴模具裝備有限公司), a company wholly owned by GYMCL - Director of Guangxi Yuchai Foundry Company Limited* (廣西玉柴鑄造有限公司), a company wholly owned by GYMCL

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

<u>Name of Director</u>	<u>Positions within our Group</u>	<u>Position in our Controlling Shareholder or companies in which they have 30% or more interests</u>
		• Director of Guangxi Yuchai Crankshaft Co., Ltd.* (廣西玉柴曲軸有限公司), a company wholly owned by GYMCL • Director of Guangxi Purem Yuchai Automotive Technology Co., Ltd.* (廣西普赫姆玉柴汽車技術有限公司), a company held as to 49% by GYMCL • Director of Guangxi Yuchai Exhaust Technology Co., Ltd.* (廣西玉柴排氣技術有限公司), a company wholly owned by GYMCL • Director of Guangxi Yufu Technology Co., Ltd.* (廣西玉福科技有限公司), a company held as to 51% by GYMCL • Director of YC Europe Co., Limited, a company held as to 75% by GYMCL
Mr. Neo	Non-executive Director	• Independent director of CYI
Ms. Su	Non-executive Director	• Chief accountant of GYMCL • Director of Yuchai Machinery Exclusive, a company held as to 71.8% by GYMCL • Supervisor of Guangxi Yuchai Foundry Company Limited* (廣西玉柴鑄造有限公司), a company wholly owned by GYMCL • Supervisor of Guangxi Yuchai Crankshaft Co., Ltd.* (廣西玉柴曲軸有限公司), a company wholly owned by GYMCL • Supervisor of Guangxi SKY Cloud Technology Co., Ltd. (廣西星網智雲科技有限公司), a company wholly owned by GYMCL

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

<u>Name of Director</u>	<u>Positions within our Group</u>	<u>Position in our Controlling Shareholder or companies in which they have 30% or more interests</u>
		Supervisor of Guangxi Yuchai Exhaust Technology Co., Ltd.* (廣西玉柴排氣技術有限公司), a company wholly owned by GYMCL

Our management and operational decisions are made by our Board and senior management, all of whom have substantial experience in the industry in which we are engaged in and/or in their respective fields of expertise. Our Directors have a track record of devoting sufficient time and energy to discharge their duties as our Directors and senior management members and they will continue to focus on our Group’s business. See “Directors and Senior Management” in this document for further details of our Directors and senior management.

Despite the common directorship and overlapping personnel, we believe that the management independence between our Group and our Controlling Shareholders will be maintained. Given that Yulin Changyingjia and Yulin Dayingjia has no substantive business other than a 4.29% and 1.67% of holdings in our Company, respectively, Mr. Ning and Mr. Chen will not be spending significant time in their roles as an executive partner in Yulin Changyingjia and Yulin Dayingjia, respectively.

Furthermore, Mr. Chen is a non-executive Chairman of the Board and a non-executive Director, while Mr. Neo and Ms. Su are non-executive Directors. All of their roles are non-executive in nature. They will not handle day-to-day operation or management in our Company after the [REDACTED]. Each of Mr. Ning, Mr. Chen, Mr. Neo and Ms. Su confirms that his/her involvement in our Controlling Shareholders or their subsidiaries will not affect the discharge of his/her duties nor limit his/her time devoted to our Group. Apart from Mr. Ning, Mr. Chen, Mr. Neo and Ms. Su, none of our Directors hold any directorship or senior management position or otherwise have any employment relationship with our Controlling Shareholders or companies in which they have 30% or more interests.

Apart from the above, our Directors consider that our Board and senior management will function independently of our Controlling Shareholders due the following reasons:

- (a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. Further, our Articles provide that a Director shall not vote on any resolution approving any contract

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

or arrangement in which such Director or any of his/her close associates have interest nor shall such Director be counted in the quorum present in the meeting. For details, see “Summary of the Articles of Association” in Appendix III to this document;

- (c) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “Corporate Governance Measures” in this section below for details;
- (d) the majority of the Board is independent from our Controlling Shareholders group. There are sufficient number of executive Directors, non-executive Directors and independent non-executive Directors who are independent from our Controlling Shareholders to ensure that our Board are able to perform its functions properly; and
- (e) we have three independent non-executive Directors, comprising one-third of our Board which provides balance between the number of executive Directors, non-executive Directors and independent non-executive Directors, and ensure that there is a strong independent element on our Board and with a view to promoting the best interests of our Company and Shareholders taken as a whole. The independent non-executive Directors have diversified skills and experiences in their respective fields of expertise (for details of their biographical details, see “Directors and Senior Management” in this document) and our Directors believe that our independent non-executive Directors are able to bring impartial opinion and sound judgment to the decision-making process of our Board and protect the interest of our Company and Shareholders as a whole. Our Company has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each committee includes independent non-executive Directors so as to monitor the operation of our Group.

Based on the above, our Directors believe that our Board and senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders.

Operational Independence

The business operations of our Group are carried out separately from other businesses operated by our Controlling Shareholders. Save for the connected transactions conducted in ordinary course of business of the Group entered into between the Company and GYMCL Group as detailed below, we manufacture our products and provide services independently of our Controlling Shareholders. We have full rights, hold and enjoy the benefit of all relevant licenses, have sufficient capital and employees necessary to make all decision on, and to carry out, our own business operation independent from our Controlling Shareholders and their respective close associates and will continue to do so after the [REDACTED].

Licenses required for operation

We hold all relevant licenses and permits material to the operation of our business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Access to customers, suppliers and business partners

We have a large and diversified base of customers and suppliers that are unrelated to our Controlling Shareholders and/or their respective close associates. We have independent access to such customers, our suppliers as well as other business partners.

Connected transactions with our Controlling Shareholders or their associates

The section headed “Connected Transactions” in this document sets out the non-exempted continuing connected transactions between our Group and our Controlling Shareholders or their respective associates which will continue after the completion of the [REDACTED]. All such transactions are determined after arm’s length negotiations. As such, we expect that we will be able to maintain the aggregate amounts of the continuing connected transaction with our Controlling Shareholders and their respective associates at a reasonable percentage to our total revenues after the [REDACTED]. Accordingly, it is expected that such continuing connected transactions will not affect our operational independence as a whole.

Employees

We have our independent team of quality personnel, among whom have rich industry experience in designing, developing, manufacturing and sales of power generators, marine engines, and others auxiliary products. We recruit our employees independently, and we also have an independent management team to handle our day-to-day operations.

Operational facilities

Although part of our properties are located on the land leased from our Controlling Shareholders, all facilities necessary for our business operations are operating independently from our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are satisfied that we are able to function and operate independently from our Controlling Shareholders and their close associates after the [REDACTED].

Financial Independence

Our Group is not financially dependent on our Controlling Shareholders, and we do not expect to rely on our Controlling Shareholders for financing after the [REDACTED]. Our Company has established its own independent finance department and implemented its own independent audit, accounting, internal control and financial management systems. We make financial decisions and determine our use of funds according to our own business needs. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders. Furthermore, we have made tax filings and paid tax independently of our Controlling Shareholders pursuant to applicable laws and regulations. We have adequate internal resources to support our daily operations.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, there was no outstanding loan, advance, balance of non-trade nature due to or from, or ledge or guarantee provided by our Controlling Shareholders or their respective close associates to us. We have been and are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

Based on the above, our Directors are of the view that our Board and senior management and capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and his/its associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. We will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of its associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with a Controlling Shareholder or any of his/its associates, our Company will comply with the applicable Listing Rules;
- (c) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;
- (d) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses;
- (e) the independent non-executive Directors will review, on an annual basis, compliance with the Deed of Non-competition given by our GYMCL. Our Company will disclose decisions relating to compliance and enforcement of the Deed of Non-competition (including our independent non-executive Directors’ views for such decision) in our annual report;
- (f) our Directors will be responsible for reviewing, considering and deciding whether or not to take up any business opportunity under the Deed of Non-competition. Any Directors who have a material interest in such decision shall abstain from voting. Our Company will disclose such decision (including our independent non-executive Directors’ views for such decision) in our annual report;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (g) GYMCL will undertake, according to the requirements under the Listing Rules, to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review referred to in paragraph (e) above; and
- (h) we have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].

CONNECTED TRANSACTIONS

OVERVIEW

We have, in our ordinary and usual course of business, entered into certain transactions with entities that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon [REDACTED]. Such transactions will continue after the [REDACTED] and will therefore constitute our continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

The following entities will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon [REDACTED] and have entered into certain transactions with us which will constitute continuing connected transactions under Chapter 14A of the Listing Rules:

Connected Persons	Connected Relationship
GYMCL and its associates (excluding our Group)	GYMCL is one of the Controlling Shareholders of our Company

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transactions	Counterparties	Applicable Listing Rules	Waiver Sought
Fully-exempt continuing connected transactions			
Procurement of brand management and shared services	GYMCL	14A.76(1)(a)	N/A
Procurement of catering and hotel services	GYMCL Connected Persons	14A.97	N/A
Procurement of utility services	GYMCL Connected Persons	14A.97	N/A

CONNECTED TRANSACTIONS

<u>Nature of transactions</u>	<u>Counterparties</u>	<u>Applicable Listing Rules</u>	<u>Waiver Sought</u>
Non-exempt continuing connected transactions			
Procurement of equipment, intangible assets and related services	GYMCL Connected Persons	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirement
Provision of services	GYMCL Connected Persons	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirement
Lease of equipment to connected persons	GYMCL Connected Persons	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirement
Lease of properties from connected persons	GYMCL Connected Persons	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirement
Procurement of services	GYMCL Connected Persons	14A.34 to 14A.36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement and independent Shareholders’ approval requirements
Procurement of products	GYMCL Connected Persons	14A.34 to 14A.36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement and independent Shareholders’ approval requirements
Sale of products and services	GYMCL Connected Persons	14A.34 to 14A.36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement and independent Shareholders’ approval requirements

CONNECTED TRANSACTIONS

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions with our connected persons on normal commercial terms, which will continue after the [REDACTED]:

- (1) We entered into a brand management and shared services agreement with GYMCL on [●], 2026, for the period commencing January 1, 2026 until December 31, 2028, subject to renewal by mutual consent (“**Brand Management and Shared Services Agreement**”). Pursuant to the Brand Management and Shared Services Agreement, GYMCL will provide us with services encompassing trademark guidance, brand strategy formulation, brand planning, digital marketing, brand protection support, and certain shared services such as human resources services, tax and finance consulting services, centralized office supplies procurement services, training services and technology services at an annual service fee of RMB2.4 million. For the two years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, the historical transaction amounts for the abovementioned transactions amounted to RMB3.5 million, RMB3.6 million and RMB5.6 million. Based on the annual service fee agreed between the parties under the Brand Management and Shared Services Agreement, our Directors believe that the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be less than 5% and the total consideration will be less than HK\$3.0 million on an annual basis, such transaction will constitute a de minimis continuing connected transaction of our Company pursuant to Rule 14A.76(1) of the Listing Rules that will be fully exempt from reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.
- (2) We entered into a catering and hotel services framework agreement with GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) on [●], 2026, for the period commencing January 1, 2026 until December 31, 2028, subject to renewal by mutual consent. Pursuant to the catering and hotel services framework agreement, GYMCL Connected Persons, through the hotels and restaurants operated by GYMCL Connected Persons, may provide catering and hotel services, being consumer services, to our Group, in their ordinary and usual course of business and we pay catering and hotel fees with reference to prevailing market rates. For the two years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, the historical transaction amounts for the abovementioned transactions amounted to RMB3.5 million, RMB3.9 million and RMB3.4 million. The services are provided on normal commercial terms that are comparable to, or no less favorable to us than those available from Independent Third Parties. Therefore, the transactions contemplated under the catering and hotel services framework agreement will constitute fully exempt continuing connected transactions and are exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements pursuant to Rule 14A.97 of the Listing Rules.

CONNECTED TRANSACTIONS

- (3) We entered into an utility services agreement with GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) on [●], 2026 with a term commencing from January 1, 2026 until December 31, 2028, subject to renewal by mutual consent, for the procurement of utilities (including water and electricity) in respect of the Leased Properties (as defined below) for our operation. The utility fees are payable by us on a cost basis at the government-prescribed rates charged on the Leased Properties. For the two years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, the historical transaction amounts for the procurement of utility services amounted to RMB22.7 million, RMB20.4 million and RMB15.3 million. The utility services are consumer services and are provided to us on normal commercial terms that are comparable to, or no less favorable to us than those available from Independent Third Parties. Therefore, the transactions contemplated under the utility services agreement will constitute fully exempt continuing connected transactions and are exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements pursuant to Rule 14A.97 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

We have entered into the following transactions where our Directors believe that, taking into account estimates of each of the category of transactions as at the Latest Practicable Date, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but will be exempted from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

1. Procurement of equipment, intangible assets and related services

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons)

Our Company (for itself and in respect of transactions with our Group)

Principal terms

On [●], [●], we entered into a framework agreement with GYMCL for the procurement of equipment, intangible assets and related services (the “**Equipment and Intangible Assets Procurement Framework Agreement**”), pursuant to which our Group may from time to time procure from GYMCL Connected Persons certain IT and production equipment, intangible assets (such as operational software system including research and development platform system and cost management system) for use in our operations, and certain related services that primarily include system maintenance services for the intangible assets we procured, software services (being right-of-use or access to software or systems) and construction

CONNECTED TRANSACTIONS

services. The initial term of the Equipment and Intangible Assets Procurement Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

Pricing terms

The pricing for the procurement of the relevant products shall be determined based on arm’s length negotiations between the parties with reference to (i) the type, quantity, specification and cost of the products required, (ii) market price of the products (or same type of products on the market), and (iii) quotes from at least two independent third party suppliers (if such products can be procured from Independent Third Parties), and provided that the prices and terms shall not be less favorable than those for transactions between our Group and Independent Third Parties under the same conditions.

The prices for the relevant services shall be determined after arm’s length negotiations, taking into account the (i) type, labor and operational costs of the services required, (ii) prices approved by the local pricing authorities, if and where applicable, (iii) quotes from at least two independent third party suppliers (if such services can be procured from Independent Third Parties), and (iv) the prevailing market price of similar services, and shall not be less favorable to us than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons for the transactions

The procurement of IT equipment, intangible assets and software services from GYMCL Connected Persons is driven by our Group’s operational needs in day-to-day business and requirements for automated software systems to support and enhance its production and management processes. GYMCL Connected Persons have historically supplied us various systems and software used in our marketing, office, research and development and cost management activities, including our SKY Marketing Management Platform and office automation system. GYMCL Connected Persons have deep understanding of our business operations and, where needed, are able to tailor the relevant systems to our needs. Given our past business dealings with GYMCL Connected Persons, we consider it more appropriate to procure the relevant system and software maintenance services from the same provider. From time to time, we may also procure from GYMCL Connected Persons production equipment that aligns with our Group’s technical specifications and business needs and engage GYMCL for certain related construction work such as construction and assembly of production lines, the relevant transactions of which have been entered into in the ordinary and usual course of business of our Company and on normal commercial terms.

CONNECTED TRANSACTIONS

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31, 2023	For the year ended December 31, 2024	For the nine months ended September 30, 2025
	RMB'000	RMB'000	RMB'000
Historical transaction amounts	3,368	9,601	3,522

Annual caps and basis

The maximum aggregate annual transaction amounts under the Equipment and Intangible Assets Procurement Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ended December 31, 2026	2027	2028
	RMB'000	RMB'000	RMB'000
Annual caps	8,294	9,332	10,511

The above proposed annual cap for the annual transaction amounts under the Equipment and Intangible Assets Procurement Framework Agreement is determined taking into account:

- (a) the historical transaction amounts during the Track Record Period, and
- (b) the estimated transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons as well as our business growth.

2. Provision of services

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons)

Our Company (for itself and in respect of transactions with our Group)

CONNECTED TRANSACTIONS

Principal terms

On [●], [●], we entered into a provision of services framework agreement with GYMCL Connected Persons (the “**Services Provision Framework Agreement**”), pursuant to which our Group may from time to time provide such GYMCL Connected Persons services that primarily include (i) engine components processing and machining services and (ii) engine testing services. The initial term of the Services Provision Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

Pricing terms

The prices for the relevant services shall be determined between relevant GYMCL Connected Persons and us after arm’s length negotiations, taking into account the type of services required, the relevant labor costs and operational costs, and the prevailing market price of similar services, and shall not be less favorable to us than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons for the transactions

As business operators in the engine manufacturing industry for engines used in trucks, buses, pickups, construction and agricultural equipment, GYMCL Connected Persons may from time to time require machining services for engine components used in certain large and heavy-duty engine models to support their production activities. Our Group, as part of its ordinary and usual course of business, possesses the expertise necessary to provide these services efficiently and reliably. GYMCL Connected Persons procure such services from our Group because of our satisfactory service quality and fair market prices. In addition, historically and throughout the Track Record Period, we had provided engine testing services to GYMCL Connected Persons for certain large and heavy-duty engine models that they procured from us (see “Non-exempt Continuing Connected Transactions Subject to Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements — 7. Sale of Products and Services” in this section for details) due to their lack of testing facilities for such engine types. These transactions are mutually beneficial to us and GYMCL Connected Persons, enhancing synergies and supporting business growth.

CONNECTED TRANSACTIONS

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31, 2023	For the year ended December 31, 2024	For the nine months ended September 30, 2025
	RMB'000	RMB'000	RMB'000
Historical transaction amounts	1,331	2,532	2,113

Annual caps and basis

The maximum aggregate annual transaction amounts under the Services Provision Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ended December 31, 2026	For the year ended December 31, 2027	For the year ended December 31, 2028
	RMB'000	RMB'000	RMB'000
Annual caps	3,024	3,235	3,462

The above proposed annual cap for the annual transaction amounts under the Services Provision Framework Agreement is determined taking into account:

- (a) the historical transaction amounts during the Track Record Period, and
- (b) the estimated transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons and the growth of GYMCL Connected Persons' business.

3. Lease of equipment to GYMCL Connected Persons

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) (as lessee)

Our Company (for itself and in respect of transactions with our Group) (as lessor)

Principal terms

On [●], [●], we entered into a lease framework agreement with GYMCL Connected Persons (the “**Equipment Leasing Framework Agreement**”), pursuant to which our Group may lease certain casting equipment used in casting production such as lathe, mobile lifting

CONNECTED TRANSACTIONS

platform, transfer cart, bidirectional powered roller conveyor and manual roller conveyor to GYMCL Connected Persons. The initial term of the Equipment Leasing Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

Pricing terms

The rent during the leasing term under the Equipment Leasing Framework Agreement shall be determined on normal commercial terms after arm’s length negotiations between the relevant parties and with reference to (i) the type, quantity, conditions and specification of the required equipment and (ii) the estimated depreciation expenses of the leased equipment for the relevant financial year, and shall not be less favorable to us than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons for the transactions

Before March 2024, we produced in-house cylinder block rough castings for our self-produced large engines and heavy-duty engines. In March 2024, as part of our Group’s strategic initiative to optimize resource allocation by focusing on higher value-added segments of the engine manufacturing process (such as precision machining, assembly and testing), we transitioned from in-house production of such rough castings to sourcing them from suppliers, primarily GYMCL Connected Persons. Following which, our Company (as lessor) reached an agreement with GYMCL Connected Persons (as lessee) to lease the relevant casting equipment owned by us to GYMCL Connected Persons for their use in their casting production. The equipment lease reflects our Company’s business considerations in utilizing existing assets that would otherwise be idle.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31, 2023	For the year ended December 31, 2024	For the nine months ended September 30, 2025
	RMB’000	RMB’000	RMB’000
Historical transaction amounts	—	9,359	8,907

CONNECTED TRANSACTIONS

Annual caps and basis

The maximum aggregate annual transaction amounts under the Equipment Leasing Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ended December 31,		
	2026	2027	2028
	RMB'000	RMB'000	RMB'000
Annual caps	13,010	13,921	14,895

The above proposed annual cap for the annual transaction amounts under the Equipment Leasing Framework Agreement is determined taking into account:

- (a) the historical transaction amounts during the Track Record Period, and
- (b) the estimated transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons.

4. Lease of properties from GYMCL Connected Persons

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) (as lessor)

Our Company (for itself and in respect of transactions with our Group) (as lessee)

Principal terms

On [●], [●], we entered into a property leasing framework agreement with GYMCL Connected Persons (the “**Property Leasing Framework Agreement**”), pursuant to which we may lease from GYMCL Connected Persons certain properties which primarily comprising of plants and research space owned by GYMCL Connected Persons for production, research and development uses (“**Leased Properties**”). The initial term of the Property Leasing Framework Agreement shall commence on the from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent. As at the Latest Practicable Date, the Property Leasing Framework Agreement is expected to govern the connected transactions with GYMCL Connected Persons from the [REDACTED] in respect of the properties leased from the GYMCL Connected Persons with an aggregate gross floor area of 146,053.9 sq.m. on six parcels of land under two lease agreements. The two lease agreements commenced on January 1, 2025 for a term ending December 31, 2027.

CONNECTED TRANSACTIONS

Pricing terms

The rents during the leasing term shall be determined on normal commercial terms after arm’s length negotiations between the relevant parties and with reference to: (i) the prevailing market rents of similar properties in the same or nearby area or similar locations in Guangxi Zhuang Autonomous Region and (ii) the conditions of the property, including but not limited to its location and the facilities associated with the property. The rents shall be in line with and no more than the market rates of properties of comparable size and quality situated in the same locality available or charged by Independent Third Parties.

Reasons for the transactions

Historically and throughout the Track Record Period and up to the Latest Practicable Date, we utilized and will continue to utilize the Leased Properties for various operational use. Commercially, our Group considers this more appropriate than investing in our own real estate. The relevant leases have been entered into in the ordinary and usual course of business of our Company and on normal commercial terms.

Historical amounts

Set out below are the historical lease payments for the abovementioned transactions during the Track Record Period:

	For the year ended December 31, 2023	For the year ended December 31, 2024	For the nine months ended September 30, 2025
	RMB’000	RMB’000	RMB’000
Historical transaction amounts	20,463	22,848	17,206

Annual caps and basis

The maximum aggregate lease payments under the Property Leasing Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ended December 31,		
	2026	2027	2028
	RMB’000	RMB’000	RMB’000
Annual caps	26,153	27,371	28,651

Pursuant to HKFRS 16, the lease of the Leased Properties will be recognized as right-of-use assets which, as at September 30, 2025, was approximately RMB 85.1 million, being a value to be depreciated over the period ending December 31, 2028. Under the Property

CONNECTED TRANSACTIONS

Leasing Framework Agreement, further premises may be leased but we will comply with all relevant Listing Rules (including shareholders’ approval) prior to the relevant percentage ratios pursuant to Chapter 14 of the Listing Rules being 5% or more.

The above proposed annual cap for the lease payments under the Property Leasing Framework Agreement is determined taking into account:

- (a) the historical lease payments during the Track Record Period;
- (b) the estimated lease payments taking into account the existing leasing agreements and future lease arrangement that may be entered into between our Group and GYMCL Connected Persons; and
- (c) the geographical locations of the Leased Properties and the prevailing rental rates in similar locations for properties of comparable size and quality.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

In our ordinary and usual course of business, we have entered into the following transactions where our Directors believe that, taking into account estimates of each of the category of transactions as at the Latest Practicable Date, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

5. Procurement of services

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons)

Our Company (for itself and in respect of transactions with our Group)

Principal terms

On [●], [●], we entered into a framework agreement for procurement of services with GYMCL Connected Persons (the “**Services Procurement Framework Agreement**”), pursuant to which our Group may from time to time procure from GYMCL Connected Persons engine testing services for certain medium- to light-duty engines, mold development services and quality inspection services for engine components. The initial term of the Services Procurement Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

CONNECTED TRANSACTIONS

Pricing terms

The prices for the relevant services shall be determined between GYMCL Connected Persons and us after arm’s length negotiations, taking into account (i) the type of services required, the relevant labor costs and operational costs, (ii) quotes from at least two independent third party suppliers (if such services can be procured from Independent Third Parties) and (iii) the prevailing market price of similar services, and shall not be less favorable to us than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons for the transactions

Historically and throughout the Track Record Period and up to the Latest Practicable Date, we procured from GYMCL Connected Persons testing services for certain medium- to light-duty engines. GYMCL Connected Persons possesses specialized testing equipment of engines we do not own and extensive experience in handling engine testing, enabling efficient and reliable validation to meet our requirements. We also engage GYMCL Connected Persons to provide quality inspection services for engine components because GYMCL Connected Persons maintains the relevant laboratories for component testing, which we do not possess in-house. We consider it more appropriate and economical for us to procure these testing and quality inspection services rather than investing in the testing equipment and the laboratories dedicated to the specific engine types and relevant engine components. In addition, we also, from time to time, procure mold development services from GYMCL Connected Persons primarily for the development of the molds for new engine components.

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31, 2023	For the year ended December 31, 2024	For the nine months ended September 30, 2025
	RMB’000	RMB’000	RMB’000
Historical transaction amounts	22,078	33,370	12,977

CONNECTED TRANSACTIONS

Annual caps and basis

The maximum aggregate annual transaction amounts under the Services Procurement Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ended December 31,		
	2026	2027	2028
	RMB'000	RMB'000	RMB'000
Annual caps	29,156	31,095	33,164

The above proposed annual cap for the annual transaction amounts under the Services Procurement Framework Agreement is determined taking into account:

- (a) the historical transaction amount during the Track Record Period,
- (b) the estimated transaction amount based on the existing agreements between our Group and GYMCL Connected Persons; and
- (c) the expected business growth of the Company based on our business plan and management's estimation.

6. Procurement of products

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons)

Our Company (for itself and in respect of transactions with our Group)

Principal terms

On [●], [●], we entered into a framework agreement with GYMCL (the “**Products Procurement Framework Agreement**”), pursuant to which our Group may from time to time procure from GYMCL Connected Persons certain products which primarily include (i) components for engines such as cylinder head rough castings, cylinder block rough castings, crankshafts, exhaust pipes, fuel injection pumps and pump components, and (ii) finished engines.

CONNECTED TRANSACTIONS

Pricing terms

The pricing for the procurement of the relevant products shall be determined based on arm’s length negotiations between the parties with reference to (i) the type, quantity, specification and cost of the products required, (ii) prices approved by the local pricing authorities, if and where applicable, (iii) market price of the products (or same type of products on the market), and (iv) quotes from at least two independent third party suppliers (if such products can be procured from Independent Third Parties), and provided that the prices and terms shall not be less favorable than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons for the transactions

GYMCL Connected Persons has deep expertise in the design and manufacture of a wide range of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment and engine components. During the Track Record Period, we procured from GYMCL Connected Persons various engine components which primarily include the rough castings for cylinder heads and cylinder blocks. We procure these components from GYMCL Connected Persons because they are familiar with our business needs and quality specifications, and are capable of delivering a high-quality and reliable supply of engine component products. In addition, GYMCL Connected Persons operate specialized and dedicated casting production facilities that can produce the rough castings we require with economies of scale and enhanced production efficiency thereby supporting greater cost effectiveness. We procure from GYMCL Connected Persons a number of specific models of finished engines that are technically suitable and can be adopted for deployment in power generation and marine applications for the purposes of (i) maintaining a comprehensive product portfolio and meeting customer needs and (ii) for use in our testing and research and development. The finished engines we procured from GYMCL Connected Persons are medium- to light-duty engines engine models which generally have lower rated power and lower gross margins that we do not produce ourselves as we do not have the specific production equipment, while GYMCL Connected Persons have stronger specialties and have established capabilities in the design and manufacture of such medium- to light-duty engines. To ensure that competition will not develop between the GYMCL Connected Persons (on the one hand) and our Group (on the other hand) in the future, GYMCL will provide certain undertaking to our Company. See “Relationship with Our Controlling Shareholders — Delineation of Businesses — Deed of Non-Competition” in this document for further details.

CONNECTED TRANSACTIONS

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31, 2023	For the year ended December 31, 2024	For the nine months ended September 30, 2025
	RMB'000	RMB'000	RMB'000
Historical transaction amounts⁽¹⁾	194,374	393,522	390,317

Note:

- (1) On December 26, 2025, GYMCL entered into sale and purchase agreements with two Independent Third Parties respectively, and an acting in concert agreement with a third Independent Third Party to acquire the control of approximately 66% of the voting rights attached to the equity holding in Nanyue Fuel Injection. Upon the completion of the business registration procedures with the relevant authorities on December 30, 2025, Nanyue Fuel Injection became an associate of GYMCL, and therefore, our connected person. Given that Nanyue Fuel Injection only became our connected person on December 30, 2025, the historical transaction amounts in the table above do not include transactions with Nanyue Fuel Injection Group. During the Track Record Period, we procured fuel injection pumps and pump components of various specifications from Nanyue Fuel Injection Group, the transaction amounts for two years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025 amounted to RMB52.1 million, RMB80.5 million, and RMB116.3 million.

Annual caps and basis

The maximum aggregate annual transaction amounts under the Products Procurement Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ended December 31, 2026	2027	2028
	RMB'000	RMB'000	RMB'000
Annual caps	750,929	825,011	900,384

The above proposed annual caps of procurements under Products Procurement Framework Agreement are determined with reference to:

- (a) the historical transaction amounts during the Track Record Period and for this purpose, to include transactions with Nanyue Fuel Injection Group;
- (b) the estimated demands for the products and services supplied by GYMCL Connected Persons taking into account the transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons;

CONNECTED TRANSACTIONS

- (c) the expected business growth of our Group based on our business plan and management’s estimation; and
- (d) the estimated product price to be charged by GYMCL Connected Persons, with reference to the price level during the Track Record Period and the potential fluctuation in the price.

7. Sale of products and services

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons)

Our Company (for itself and in respect of transactions with our Group)

Principal terms

On [●], [●], we entered into a framework agreement with GYMCL (the “**Products and Services Sales Framework Agreement**”), pursuant to which our Group may from time to time supply to GYMCL Connected Persons (i) various engine components; (ii) certain finished engines, and (iii) scrap metal as a by-product arising from our production process. From time to time, we may also charge relevant GYMCL Connected Persons repair service fees for repairing, replacing or otherwise remediating defects in components originally procured from relevant GYMCL Connected Persons pursuant to the Products Procurement Framework Agreement. The initial term of the Products and Services Sales Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

Pricing terms

The pricing for the relevant products we offered to GYMCL Connected Persons including various engine components and certain finished engines shall be determined based on arm’s length negotiations between the parties with reference to (i) the type, quantity, specification and cost of the product required, (ii) prices approved by the local pricing authorities, if and where applicable, and (iii) market price of the products (or same type of products on the market), and provided that the prices and terms shall not be less favorable to us than those for transactions between our Group and Independent Third Parties under the same conditions.

The repair service fees for the defective components are determined with reference to the original purchase price paid by our Group for the relevant components or finished engines, the costs and expenses incurred by us for the repairing services (if applicable) and a compensation amount as agreed between the parties.

CONNECTED TRANSACTIONS

Reasons for the transactions

Historically and throughout the Track Record Period and up to the Latest Practicable Date, we sold engine components to GYMCL Connected Persons whose member possesses an extensive nationwide warehouse network that can facilitate the efficient delivery of these engine components to our chain of authorized service stations. Such arrangement reflects our Company’s business considerations in optimizing the availability of after-sales support for engine components and allows the Company to utilize GYMCL Connected Persons’ established logistics infrastructure, avoiding substantial capital expenditure on a nationwide warehousing system. GYMCL Connected Persons may also purchase engine components from us for its production and testing of engines, primarily during inventory shortage and urgent delivery timeline and when certain accessory parts were not sold separately by other suppliers. In addition, we also provide GYMCL Connected Persons with (i) certain large and heavy-duty finished engines (primarily TD and VTD series engines) that GYMCL Connected Persons do not have the capability to produce themselves for their distribution to their customers in the vehicle manufacturing industry and (ii) certain heavy-duty and medium- to light-duty finished engines for distribution in the overseas market through GYMCL Connected Persons.

Separately, to optimize the utilization of our resources, we also sell scrap metal, including machining offcuts and defective metal components arising from the production process, to GYMCL Connected Persons, who can recycle and reuse such scrap in their casting operations.

As part of our product quality control, we charge relevant GYMCL Connected Persons repair service fees for repairing, replacing or otherwise remediating defects in components or finished engines they sold to us.

We expect that we will continue these transactions with GYMCL Connected Persons, given their continued demand for our products and that the selling price of the products is no less favorable to us than those offered to Independent Third Parties.

CONNECTED TRANSACTIONS

Historical amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31, 2023	For the year ended December 31, 2024	For the nine months ended September 30, 2025
	RMB'000	RMB'000	RMB'000
Historical transaction amounts⁽¹⁾	54,877	77,211	69,033

Note:

- (1) On December 26, 2025, GYMCL entered into sale and purchase agreements with two Independent Third Parties respectively, and an acting in concert agreement with a third Independent Third Party to acquire the control of approximately 66% of the voting rights attached to the equity holding in Nanyue Fuel Injection. Upon the completion of the business registration procedures with the relevant authorities on December 30, 2025, Nanyue Fuel Injection became an associate of GYMCL, and therefore, our connected person. Given that Nanyue Fuel Injection only became our connected person on December 30, 2025, the historical transaction amounts in the table above do not include transactions with Nanyue Fuel Injection Group. During the Track Record Period, we charged Nanyue Fuel Injection Group repair service fees for repairing, replacing or otherwise remediating defects in components they supplied to our Group, the transaction amounts for two years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025 amounted to RMB0.7 million, RMB0.9 million, and RMB0.6 million.

Annual caps and basis

The maximum aggregate annual transaction amounts under the Products and Services Sales Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ended December 31,		
	2026	2027	2028
	RMB'000	RMB'000	RMB'000
Annual caps	118,881	135,079	149,921

The above proposed annual caps of the sales under Products and Services Sales Framework Agreement are determined with reference to:

- the historical transaction amounts during the Track Record Period and for this purpose, to include transactions with Nanyue Fuel Injection Group; and
- the estimated transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons.

CONNECTED TRANSACTIONS

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transactions under the subsection headed “— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements” and “— Non-exempt continuing connected transactions subject to reporting, annual review, announcement and independent Shareholders’ approval requirements” will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules (as the case may be).

As those non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this document, our Directors consider that compliance with the announcement and the independent Shareholders’ approval requirements (as the case may be) would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements” in this section; and (ii) the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “— Non-exempt continuing connected transactions subject to reporting, annual review, announcement and independent Shareholders’ approval requirements” in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

CONFIRMATION FROM OUR DIRECTORS

Our Directors [(including our independent non-executive Directors)] are of the view that the non-exempt continuing connected transactions as set out above have been and will be carried out in our ordinary and usual course of business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and Shareholders as a whole, and that the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the review of the documentation, information and data provided by our Company, the representations and confirmations from our Company, and the participation in the due diligence and discussion with our Company, the Joint Sponsors are of the view that, as at the Latest Practicable Date, (i) the aforesaid non-exempt continuing connected transactions for which the waivers have been sought have been entered into in the ordinary and usual course of business of our Company, are on normal commercial terms or better, are fair and reasonable, and are in the

CONNECTED TRANSACTIONS

interests of our Company and the Shareholders as a whole, and (ii) the proposed annual caps of the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS’ INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

- a) Our Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules; and
- b) Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as of the Latest Practicable Date and immediately following the completion of the [REDACTED] and the conversion of our Unlisted Shares to H Shares (assuming no exercise of the [REDACTED]), the following persons will have interests and/or short positions in our Shares or our underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meeting of our Company or any other members of our Group:

Interest in our Company

Name of Shareholder	Nature of Interest	As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) ⁽¹⁾	
		Number of the Shares	Approximate percentage of interest in the Company	Number of Shares	Approximate percentage of interest in the Company
GYMCL	Beneficial owner	800,000,000	93.46%	[REDACTED]	[REDACTED]
	Interest of concert parties ⁽¹¹⁾	56,000,000	6.54%	[REDACTED]	[REDACTED]
CYT ⁽²⁾	Interest in controlled corporations	856,000,000	100%	[REDACTED]	[REDACTED]
HLA ⁽³⁾	Interest in controlled corporations	856,000,000	100%	[REDACTED]	[REDACTED]
Hong Leong Corporation Holdings Pte Ltd ⁽⁴⁾	Interest in controlled corporations	856,000,000	100%	[REDACTED]	[REDACTED]
Hong Leong Investment Holdings Pte. Ltd ⁽⁵⁾	Interest in controlled corporations	856,000,000	100%	[REDACTED]	[REDACTED]
Davos Investment Holdings Private Limited ⁽⁶⁾	Interest in controlled corporations	856,000,000	100%	[REDACTED]	[REDACTED]
Mr. Kwek Leng Kee ⁽⁷⁾	Interest in controlled corporations	856,000,000	100%	[REDACTED]	[REDACTED]
Yulin Changyingjia	Beneficial owner ⁽⁸⁾	36,743,244	4.29%	[REDACTED]	[REDACTED]
	Interest of concert parties ⁽¹¹⁾	819,256,756	95.71%	[REDACTED]	[REDACTED]
Yulin Dayingjia	Beneficial owner ⁽⁹⁾	14,324,324	1.67%	[REDACTED]	[REDACTED]
	Interest of concert parties ⁽¹¹⁾	841,675,676	98.33%	[REDACTED]	[REDACTED]
Yulin Zhongli	Beneficial owner ⁽¹⁰⁾	4,932,432	0.58%	[REDACTED]	[REDACTED]
	Interest of concert parties ⁽¹¹⁾	851,067,568	99.42%	[REDACTED]	[REDACTED]
Mr. Ning	Interest in controlled corporations ⁽¹²⁾	36,743,244	4.29%	[REDACTED]	[REDACTED]
	Interest of concert parties	819,256,756	95.71%	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) ⁽¹⁾	
		Number of the Shares	Approximate percentage of interest in the Company	Number of Shares	Approximate percentage of interest in the Company
Mr. Yi Jianing (易加寧)	Interest in controlled corporations ⁽¹³⁾	4,932,432	0.58%	[REDACTED]	[REDACTED]
	Interest of concert parties	851,067,568	99.42%	[REDACTED]	[REDACTED]
Mr. Chen	Interest in controlled corporations ⁽¹⁴⁾	14,324,324	1.67%	[REDACTED]	[REDACTED]
	Interest of concert parties	841,675,676	98.33%	[REDACTED]	[REDACTED]

Notes:

- (1) All interests are long positions.
- (2) As of the Latest Practicable Date, CYI indirectly holds 76.41% of GYMCL through its six wholly-owned subsidiaries: (i) HLTS which held 22.26% of equity interest of GYMCL; (ii) Earnest Assets which held as to 21.45% of equity interest of GYMCL; (iii) Cathay Diesel Holdings which held as to 12.64% of GYMCL; (iv) Tsang & Ong which held as to 12.64% of equity interest of GYMCL; (v) GSGH which held as to 5.22% of GYMCL; and (vi) Youngstar which held as to 2.20% of GYMCL. Therefore, through its controlled corporations, CYI is deemed to be interested in 856,000,000 Shares held or controlled by GYMCL for the purpose of the SFO.
- (3) As of the Latest Practicable Date, HLA beneficially owns 48.70% of the ordinary shares and a special share of CYI that entitles HLA to elect a majority of directors in CYI through its wholly-owned subsidiaries: (i) Hong Leong (China) Limited which in turns wholly owns HL Technology Systems Pte. Ltd. HL Technology Systems Pte. Ltd. owns 25.38% of CYI and is the registered holder of the special share; (ii) Well Summit Investments Limited which holds 23.32% of CYI.
- (4) As of the Latest Practicable Date, Hong Leong Corporation Holdings Pte Ltd is the immediate holding company of HLA.
- (5) As of the Latest Practicable Date, Hong Leong Corporation Holdings Pte Ltd is the ultimate holding company of HLA.
- (6) Davos Investment Holdings Private Limited is deemed under SFO to have interests in the shares held indirectly by Hong Leong Investment Holdings Pte. Ltd., in which it is entitled to control the exercise of not less than one-third of the voting shares in Hong Leong Investment Holdings Pte. Ltd. Therefore, through the controlled corporations, Davos Investment Holdings Private Limited is deemed to be interested in 856,000,000 Shares held or controlled by GYMCL for the purpose of the SFO.
- (7) Mr. Kwek Leng Kee is deemed under SFO to have interest in the shares held by Davos Investment Holdings Private Limited, which is entitled to control the exercise of not less than one-third of the voting shares in Hong Leong Investment Holdings Pte. Ltd.. Therefore, through the controlled corporations, Mr. Kwek Leng Kee is deemed to be interested in 856,000,000 Shares held or controlled by GYMCL for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

- (8) Yulin Changyingjia is a limited partnership under the laws of the PRC. As at the Latest Practicable Date, Yulin Changyingjia is operated and represented by its executive partner, Mr. Ning, who is also an executive Director of our Company.
- (9) Yulin Dayingjia is a limited partnership under the laws of the PRC. As at the Latest Practicable Date, Yulin Dayingjia is operated and represented by its executive partner, Mr. Chen.
- (10) Yulin Zhongli is a limited partnership under the laws of the PRC. As at the Latest Practicable Date, Yulin Dayingjia is operated and represented by its executive partner, Mr. Yi Jianing (易加寧).
- (11) Since the introduction of Limited Partnership Platforms as shareholders of our Company through capital increase in June 2024, the Limited Partnership Platforms and GYMCL have been acting in concert with each other based on the terms under their respective partnership agreements, in which the Limited Partnership Platforms shall act in concert with GYMCL and exercise the same manifestation of intent as GYMCL when exercising its voting rights in our Company.

As at the Latest Practicable Date, the legal representative of GYMCL was Mr Li Han Yang, who is responsible for managing GYMCL and voting on its behalf. Accordingly, under the acting-in-concert arrangement, the Limited Partnership Platforms shall vote in line with GYMCL.

- (12) Pursuant to the acting in concert arrangement among Yulin Changyingjia, Yulin Dayingjia, Yulin Zhongli and GYMCL, Mr. Ning, as the executive partner of Yulin Changyingjia, is deemed to be interested in 36,743,244 shares as interest in controlled corporations and 819,256,756 shares as interest of concert parties for the purpose of the SFO.
- (13) Pursuant to the acting in concert arrangement among Yulin Changyingjia, Yulin Dayingjia, Yulin Zhongli and GYMCL, Mr. Yi Jianing (易加寧), as the executive partner of Yulin Zhongli, is deemed to be interested in 4,932,432 shares as interest in controlled corporations and 851,067,568 shares as interest of concert parties for the purpose of the SFO.
- (14) Pursuant to the acting in concert arrangement among Yulin Changyingjia, Yulin Dayingjia, Yulin Zhongli and GYMCL, Mr. Chen, as the executive partner of Yulin Dayingjia, is deemed to be interested in 14,324,324 shares as interest in controlled corporations and 841,674,676 shares as interest of concert parties for the purpose of the SFO.

Save as disclosed above, the Directors are not aware of any other person who will, immediately following the [REDACTED] (and the [REDACTED]) of any additional H Shares pursuant to the [REDACTED]), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

BEFORE THE COMPLETION OF THE [REDACTED]

As of the Latest Practicable Date, the registered capital of our Company was RMB856,000,000 comprising 856,000,000 Unlisted Shares with a nominal value of RMB1.00 each.

IMMEDIATELY FOLLOWING THE COMPLETION OF THE [REDACTED]

Immediately following the [REDACTED] and conversion of Unlisted Shares into H Shares, assuming no exercise of the [REDACTED], the issued share capital of our Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage of the total share capital of our Company</u>
H Shares to be converted from Unlisted Shares ⁽¹⁾	[REDACTED]	[REDACTED]
H Shares to be [REDACTED] under the [REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>100.00%</u>

Immediately following the completion of the [REDACTED] and the conversion of certain Unlisted Shares into H Shares, assuming the [REDACTED] is fully exercised, the issued share capital of our Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage of the total share capital</u>
H Shares to be converted from Unlisted Shares ⁽¹⁾	[REDACTED]	[REDACTED]
H Shares to be [REDACTED] under the [REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>100.00%</u>

Notes:

- (1) Immediately following the completion of the [REDACTED] and according to the notification on completion of filing procedures issued by the CSRC on [●] 2026, [REDACTED] Unlisted Shares will be converted into H Shares on a one-for-one basis and [REDACTED] on the Stock Exchange for [REDACTED].

SHARE CAPITAL

OUR SHARES

Apart from certain qualified domestic institutional [REDACTED] in the PRC, qualified PRC [REDACTED] under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons entitled to hold H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be [REDACTED] for by, or [REDACTED] between, [REDACTED] of the PRC. H Shares may only be [REDACTED] for and [REDACTED] in Hong Kong dollars.

Dividends in respect of our Shares may be paid by us in Hong Kong dollars or Renminbi, as the case may be. In addition to cash, dividends may be distributed in the form of Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

According to the regulations issued by the CSRC and our Articles of Association, the holders of our Unlisted Shares may, at their own option, authorize us to file to the CSRC for conversion of their respective Unlisted Shares to H Shares, and such converted Shares may be [REDACTED] and [REDACTED] on an overseas stock exchange provided that the conversion, [REDACTED] and [REDACTED] of such converted Shares have completed the filing procedures with securities regulatory authorities, including the CSRC. Additionally, such conversion, [REDACTED] and [REDACTED] shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Unlisted Shares are to be converted, [REDACTED] and [REDACTED] as H Shares on the Stock Exchange, the filing with the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange are necessary for such conversion. Based on the procedures for the conversion of Unlisted Shares into H Shares as set out below, we will apply for the [REDACTED] of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion after the [REDACTED] to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the [REDACTED]. As the [REDACTED] of additional Shares after the [REDACTED] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [REDACTED] at the time of our [REDACTED] in Hong Kong. No Shareholder voting is required for the conversion of such Shares or the [REDACTED] and [REDACTED] of such converted Shares on an overseas stock exchange. Any application for [REDACTED] of the converted shares on the Stock Exchange after our initial [REDACTED] is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained/filings have been completed, the relevant Unlisted Shares will be withdrawn from the Unlisted Share register, and we will re-register such Shares on the [REDACTED] maintained in Hong Kong and instruct the [REDACTED] to issue H Share certificates. Registration on the [REDACTED] of our Company will be on the conditions that (i) the [REDACTED] lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the [REDACTED] and the due dispatch of H Share certificates; and (ii) the

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admission of the H Shares to be [REDACTED] on the Stock Exchange complies with the Listing Rules and the General Rules of [REDACTED] and the [REDACTED] Operational Procedures in force from time to time.

Until the converted Shares are re-registered on the [REDACTED] of our Company, such Shares would not be [REDACTED] as H Shares. Below set forth the details of our existing Shareholders’ proposed conversion of Unlisted Shares into H Shares:

<u>Shareholders who intend to convert their Shares into H Shares</u>	<u>Number of Converted Shares</u>	<u>Percentage of shareholding immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)</u>
GYMCL	[REDACTED]	[REDACTED]
Yulin Changyingjia	[REDACTED]	[REDACTED]
Yulin Dayingjia	[REDACTED]	[REDACTED]
Yulin Zhongli	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>

RESTRICTION ON SHARE TRANSFER

In accordance with the PRC Company Law, the shares issued prior to any [REDACTED] of shares by a company cannot be transferred within one year from the date on which such [REDACTED] shares are [REDACTED] and [REDACTED] on the relevant stock exchange. As such, the Shares issued by our Company prior to the [REDACTED] will be subject to such statutory restriction on transfer within a period of one year from the [REDACTED].

Our Directors and members of the senior management of the Company shall declare their shareholdings in the Company and any changes in their shareholdings. Shares transferred by our Directors, and members of the senior management each year during their term of office as determined when they assume the posts shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are [REDACTED] and [REDACTED], nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors and members of senior management of our Company.

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REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-Share Listed Companies (H股公司境內未上市股份申請“全流通”業務指引) announced by the CSRC, the domestic shareholders of our Shares shall handle share transfer registration business in accordance with the relevant business rules of the China Securities Depository and Clearing Corporation Limited. Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the transfer registration with the China Securities Depository and Clearing Corporation Limited of such shares involved in the application is completed.

CIRCUMSTANCES UNDER WHICH A GENERAL MEETING IS REQUIRED

For details of circumstances under which a Shareholders’ general meeting is required, see “Summary of Articles of Association” in Appendix III to this document.

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The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements included in the Accountants’ Report in Appendix I and the Unaudited Interim Condensed Consolidated Financial Information in Appendix IA to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

This following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties, and our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this document.

OVERVIEW

We are a leading power generation solution provider. According to Frost & Sullivan, we are the largest power generator engine provider in China, based on sales revenue of power generator engines in China in 2024. We are also a leading marine engine provider in China, ranking second in terms of sales revenue of medium- and high-speed marine engines in China in 2024, according to Frost & Sullivan. We design, develop, manufacture and sell power generator engines, marine engines, power generator sets and engine components, serving a wide array of markets across the economy, including data centers, telecommunications, healthcare, utilities, mining, agriculture, oil & gas and vessel transportation and operation sectors. We primarily conduct our business in China and maintain overseas sales teams for sales of our products to Europe, Middle East, Africa, Asia and South America.

During the Track Record Period, we experienced significant growth in our operating results. We recorded revenue of RMB3,239.0 million, RMB3,999.8 million, RMB2,967.9 million and RMB4,967.2 million, for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively. Our gross profit was RMB725.5 million, RMB936.4 million, RMB685.8 million and RMB1,182.6 million, respectively, and our gross profit margin was 22.4%, 23.4%, 23.1% and 23.8%, respectively, for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025. Our net profit was RMB395.9 million, RMB535.8 million, RMB428.6 million and RMB762.0 million, respectively, and our net profit margin was 12.2%, 13.4%, 14.4% and 15.4%, respectively, for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025.

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MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, mainly including the following.

Demands from End Users in Downstream Industries

Our performance is subject to demand for power generator sets incorporating our engine products from end users in the downstream industries, including, among others, data center, distributed power station, infrastructure and infrastructure construction industries. In the case of marine propulsion and auxiliary engines, our performance is also subject to demand from end users in the near-shore and inland shipping and offshore operation industries.

During the Track Record Period, we experienced a significant growth in our operating results, which has been driven to a large extent by increasing demands for our power generator engine and power generation set products in the data center industry in China, among others.

According to Frost & Sullivan, the size of global power generator engine market is expected to grow from approximately RMB55.9 billion in 2024 to RMB143.8 billion in 2030, with a CAGR of 17.1% from 2024 to 2030; and the size of Chinese power generator engine market is expected to grow from approximately RMB14.7 billion in 2024 to RMB41.5 billion in 2030, with a CAGR of 18.9% from 2024 to 2030. In particular, AI data centers, as the core carriers of computing-power infrastructure, are expanding rapidly in market size. As demand for AI data centers is increasing significantly, reliance on highly reliable infrastructure has likewise increased and, in turn, driving robust growth in demand for power generator engines. According to Frost & Sullivan, the size of the global market of power generator engines for data centers is expected to grow from approximately RMB30.0 billion in 2024 to RMB101.8 billion in 2030, with a CAGR of 22.6% from 2024 to 2030.

We will endeavor to continue our efforts to drive our revenue and profit growth by focusing on the development and production of our products for downstream industries, particularly data center, distributed power station, infrastructure and infrastructure construction industries, as these industries are expected to have significant growth potential. Demand from end users in such industries will affect our business, financial condition and results of operations.

Product Mix and Pricing

We offer a broad range of engines, including power generator engines and marine propulsion and auxiliary engines, and power generator sets for the downstream industries we serve. In recent years, the growth of our revenue and profitability has been largely driven by the sales of our large engines, particularly high-power large engines, such as our YC16VC, YC12VC, YC20VTD and YC16VTD series, primarily for the data center industry. For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our revenue from the sales of large engines amounted to RMB853.3 million, RMB1,374.1 million, RMB1,036.2 million and RMB1,932.2 million, respectively, accounting for 26.4%, 34.5%, 35.0% and 38.9% of our total revenue for the same respective periods, and gross profit margins for large engines were 25.5%,

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30.2%, 28.0% and 31.5% for the same respective periods. During the same periods, revenue from the sales of power generation sets also experienced a significant growth as we supplied an increasing number of power generation sets for the data center industry. We intend to continue to focus on producing, developing and offering large engines and power generation sets with high performance, power output and reliability for the data center or other downstream industries we target. As we launch new products and upgrade our existing product matrix in the future, we may experience fluctuations in the sales contribution of each product category, and the gross profit margins of different product categories may vary, which may have an impact on our results of operations.

In addition, our pricing directly affects our revenue, gross profit margin and results of operations. We consider various factors, such as prevailing market prices and conditions, order sizes, costs of production and years of business relationship, when pricing our products. For certain products with more stringent technical requirements and stronger market demand, such as our large engines, we can adopt profit oriented pricing and capture higher value. For certain products that face more intense competition, such as medium- to light-duty engines, we generally emphasize competitive pricing to maintain customer penetration. We expect that we will face continuing competition and pricing pressures in respect of our products. Therefore, our ability to price our products competitively while supporting sustainable revenue and margin growth will have a material effect on our business, operating results and financial performance.

Research and Development and Expansion of Product Portfolio

Our business success depends, to a large extent, on our ability to continuously enhance our existing technologies, develop new technologies that address the increasing sophistication and varied needs of the downstream industries we serve, and respond to technological advances and emerging industry standards and practices in a timely and cost effective manner.

We have made significant investments to develop and improve our technologies and products. The results of our efforts in this regard will have a material effect on our business, operating results and financial performance. In particular, it is critically important for us to develop new technologies and products, especially high-power large engines and power generator sets for the downstream industries we target, more quickly or profitably than our competitors so that we can maintain and strengthen our competitive position. We believe our research and development strategy can enable us to better address market demands, expand our sales and compete effectively against our competitors.

In addition, we have made and will continue to make efforts in designing and developing natural gas and alternative fuel combustion engines and clean energy power generator sets. We believe that, as a result of such efforts, we have been able to expand our portfolio of engine and power generator set products and are well-positioned to benefit from the trends of our industry and the downstream industries we serve to increasingly use green and cleaner energies.

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Production Capacity Management and Expansion

We strategically invest in expanding our production capacity based on customer demand for our products. We need to ensure we can fulfill customer orders in a timely manner while, on the other hand, we endeavor to manage our inventories carefully and to avoid excessive expenditure on facility expansion. Our profitability depends in part on capacity utilization rates for our production facilities. In particular, increases or decreases in our production capacity utilization rates could have a significant effect on gross profit margins. For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, our capacity utilization rates were 88.4%, 93.0% and 97.0%, respectively. To meet the anticipated increase in customer demand, we intend to expand our production capacity and install advanced and highly intelligent equipment and production lines, in order to deliver more products and generate more revenue while optimizing our costs and profit margins.

Competition

Our business and results of operations depend on our ability to compete effectively in the industry in which we operate. We face significant competition particularly from large international engine and power generator set companies and major Chinese players in our industry. Such competition may further intensify as our industry continues to consolidate. In light of such competition, we will continue our efforts to develop and introduce new or improved products in response to market demands at competitive prices and enhance our brand recognition further by collaborating with end-market industry leaders such as leading internet technology companies to establish benchmark application cases. In particular, we will continue to expand our efforts to develop and produce high-power large engines for the data center and other downstream industries we target. Accordingly, our ability to compete effectively in our industry, particularly in respect of power generator engines and power generator sets for the data center and other downstream industries we target, will have a material impact on our financial condition and results of operations.

BASIS OF PREPARATION

Our financial statements included in the Accountants’ Report in Appendix I and the Unaudited Interim Condensed Consolidated Financial Information in Appendix IA to this document have been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial statements throughout the years ended December 31, 2023 and 2024. Our historical financial statements included in the Accountants Report in Appendix I and the Unaudited Interim Condensed Consolidated Financial Information included in Appendix IA to this document have been prepared under the historical cost convention, except for a certain portion of trade and bills receivables which have been measured at fair value. See note 2.1 of the Accountants’ Report included in Appendix I to this document for details on the basis of preparation of our historical financial statements included therein.

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CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. In the application of our accounting policies, our management is required to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Set forth below are accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. See note 2.3 to the Accountants’ Report in Appendix I to this document for a description of other material accounting policy information.

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of products

Revenue from sale of products, including engines, power generator sets and engine components, is recognized at the point in time when control of the products is transferred to the customer and all criteria for acceptance have been satisfied, generally on delivery of the products, or, in some cases, when the products are installed by the customers.

In determining the transaction price for the sale of products, we consider the effects of variable consideration and the existence of significant financing components.

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If the consideration in a contract includes a variable amount, we estimate the amount of consideration to which we will be entitled in exchange for transferring the products to the customer. The variable consideration is estimated at contract inception. Some contracts for the sale of engines provide customers with sales rebates based on the sales volume. The sales rebates give rise to variable consideration.

We enter into contractual arrangements to provide certain customers with sales rebates when the quantity of products purchased during the period exceeds a threshold specified in the contract, and the relevant revenue is recognized based on contract consideration net of the sales rebate. Based on contractual arrangement with the customers, the sales rebates are netted against “Trade receivables”. If the receivables had been settled by the customers, amounts in excess of “trade receivables” will be recognized as refund liabilities in “other payables and accruals”.

(b) Warranty Obligations

We consider whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties).

We typically provide warranties for general repairs of defects as part of the sale of engines. These assurance-type warranties are accounted for as warranty provisions. Certain contracts provide a customer with maintenance service, i.e. a distinct service to the customer in addition to the assurance that the product complies with agreed-upon specification. These service-type warranties are bundled together with the sale of engines. These contracts comprise of two performance obligations, i.e. to transfer the engines and to provide the service-type warranty. The transaction price is allocated to the service-type warranty and engines using a combination of residual and observable price approach. The portion of transaction price allocated to the service-type warranty is initially recorded as a contract liability and recognized as revenue at the point in time when the service is provided.

Principal Versus Agent

When another party is involved in providing power generator sets to a customer, we determine whether our performance obligation is to provide the power generator sets ourselves (i.e. we are a principal) or to arrange for those power generator sets to be provided by the other party (i.e. we are an agent).

We are a principal if we control the power generator sets before the power generator sets are transferred to a customer.

We are an agent if our performance obligation is to arrange for the provision of the power generator sets by another party. In this case, we are not the primary obligor and are not subject to inventory risk. We do not control the power generator sets provided by another party before the power generator sets are transferred to the customer. When we act as an agent, we recognize revenue in the amount of any fee or commission to which we expect to be entitled in exchange for arranging for the specified power generator sets to be provided by the other party.

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Other Income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

<u>Categories</u>	<u>Estimated useful lives</u>	<u>Annual rates</u>
Buildings	10–20 years	5% to 10%
Plant and machinery	1–13 years	8% to 99%
Office and other equipment	1–5 years	20% to 99%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each reporting period end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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Impairment of Financial Assets

We recognize an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General Approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

We consider a financial asset in default when contractual payments are 1 year past due. However, in certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but are not credit-impaired financial assets, and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but are not purchased or originated credit-impaired), and for which the loss allowance is measured at an amount equal to lifetime ECLs

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Simplified Approach

For trade receivables that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. We have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for non-financial assets is required (other than inventories, capitalized contract cost, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

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Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

General

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Product Warranty

We recognize a liability at the time the product is sold, for the estimated future costs relating to the assurance-type warranties to be incurred under the warranty period, on which we provide free repair and replacement. Provisions for warranty are primarily determined based on historical warranty cost per unit of product sold adjusted for specific conditions that may arise and the number of products under warranty at each financial year. If the nature, frequency and average cost of warranty claims change, the accrued liability for product warranty will be adjusted accordingly.

Significant Accounting Judgements and Estimates

The preparation of our financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying our accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in our consolidated financial statements included in the Accountants’ Report in Appendix I and the Unaudited Interim Condensed Consolidated Financial Information included in Appendix IA to this document.

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We applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying Contract Price and Performance Obligations in Sales of Engines and Power Generator Sets

We provide certain warranties for both general repairs and maintenance services as part of the sales of engines and power generator sets. For general repairs, such warranties will be assurance-type warranty that is accounted for under IAS 37 *Provisions Contingent Liabilities and Contingent Assets*. For maintenance service, it is accounted for as a service-type warranty which is capable of being distinct and customers can benefit from the service on their own. Hence, we identify two separate performance obligations, one is the promise to transfer the products, and the other one is to provide maintenance services after reaching a certain running hour. Consequently, we allocate a portion of the transaction price to the products and the maintenance services based on a combination of a residual and observable price approach. Please refer to note 5 to the Accountants’ Report in Appendix I to this document.

Derecognition of Bills Receivable

We sell bill receivable to banks on an ongoing basis depending on funding needs and money market conditions. We also endorse certain bills to suppliers for debts settlement. Chinese law governing bills allows recourse to be traced to all the parties in the discounting and endorsing process. Our management assesses the credit rating of banks that issued these bills based on the credit rating given by the Chinese regulators. For designated commercial banks with high credit rating and where our management believes that the contractual right to receive cash from us has ceased, and has been transferred to the banks and suppliers, these bills are derecognized. The discount equal to the difference between the carrying value of the bill receivable and cash received from the banks is recorded in the statement of profit or loss. Please refer to note 20 to the Accountants’ Report in Appendix I to this document.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the relevant reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for Expected Credit Losses on Trade Receivables

We use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on aging for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

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The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year/period which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on our trade receivables is disclosed in note 24 to the Accountants’ Report included in Appendix I to this document.

DESCRIPTION OF MAJOR COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The table below sets forth a summary of our consolidated statements of profit or loss for the periods indicated derived from the Accountants’ Report included in Appendix I and the Unaudited Interim Condensed Consolidated Financial Information included in Appendix IA to this document.

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000 (unaudited)	% of Revenue (unaudited)	RMB'000 (unaudited)	% of Revenue (unaudited)
Revenue	3,239,008	100.0	3,999,796	100.0	2,967,871	100.0	4,967,199	100.0
Cost of sales	(2,513,481)	(77.6)	(3,063,374)	(76.6)	(2,282,098)	(76.9)	(3,784,608)	(76.2)
Gross profit	725,527	22.4	936,422	23.4	685,773	23.1	1,182,591	23.8
Other income and gains	19,660	0.6	36,994	0.9	21,678	0.7	56,325	1.1
Research and development expenses	(211,962)	(6.5)	(285,472)	(7.1)	(179,817)	(6.1)	(265,662)	(5.3)
Selling and distribution expenses	(106,683)	(3.3)	(116,799)	(2.9)	(80,875)	(2.7)	(111,399)	(2.2)
Administrative expenses	(59,938)	(1.9)	(64,544)	(1.6)	(33,517)	(1.1)	(63,605)	(1.3)
Other expenses	(1,357)	(0.1)	(2,348)	(0.1)	(1,367)	(0.0)	(2,551)	(0.1)
Finance costs	(11,098)	(0.3)	(7,548)	(0.2)	(5,675)	(0.2)	(7,371)	(0.1)
Share of profits of a joint venture	75,060	2.3	86,112	2.2	66,701	2.2	89,651	1.8
Profit before tax	429,209	13.2	582,817	14.6	472,901	15.9	877,979	17.7
Income tax expenses	(33,328)	(1.0)	(47,001)	(1.2)	(44,295)	(1.5)	(116,011)	(2.3)
Profit for the year/period	395,881	12.2	535,816	13.4	428,606	14.4	761,968	15.4

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Revenue

During the Track Record Period, we generated revenue primarily from the sales of our self-produced and externally sourced products, including (i) power generator engines which consist of three types, namely, (x) large engines with rated power of more than 1,500 kW, such as YC16VC, YC12VC, YC20VTD and YC16VTD series, (y) heavy-duty engines with rated power between 500 kW and 1,500 kW (both inclusive), such as YC6TF, YC6TH and YC6TD series, and (z) medium-to light-duty engines with rated power of less than 500 kW, such as YC6MJ, YC6MK, YC6A and YC4D series, (ii) marine propulsion and auxiliary engines, and (iii) power generator sets. We also generated revenue from sales of engine components and other sources.

Self-produced engines or power generator sets are engines or power generator sets produced by us in-house. Engines and power generator sets are treated as self-produced even if we outsourced certain discrete production steps to qualified contractors, provided that we were responsible for the production plan, technical specifications, quality standards and release for shipment, and the engines or power generator sets were not procured as finished engines or power generator sets from suppliers. Externally sourced engines or power generator sets are finished engines or power generator sets procured by us from our suppliers, primarily GY Entities, the GYMCL Related Parties, MTU Yuchai and OEMs for sales to our customers. See “Business — Products and Services” in this document for details. During the Track Record Period, we generated a majority of our revenue from sales of our self-produced engines.

The following table sets forth a breakdown of our revenue by product type for the years/ periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)		(unaudited)	
Power generator engines	2,457,201	75.8	3,052,467	76.4	2,322,595	78.3	3,435,024	69.1
Large engines	853,339	26.4	1,374,107	34.5	1,036,152	35.0	1,932,204	38.9
Self-produced	652,701	20.2	1,114,903	28.0	824,763	27.9	1,641,729	33.1
Externally sourced	200,638	6.2	259,204	6.5	211,389	7.1	290,475	5.8
Heavy-duty engines	943,006	29.0	864,381	21.6	673,430	22.7	692,667	13.9
Self-produced	933,861	28.7	829,245	20.7	646,222	21.8	660,751	13.3
Externally sourced	9,145	0.3	35,136	0.9	27,208	0.9	31,916	0.6
Medium- to light-duty engines	660,856	20.4	813,979	20.3	613,013	20.6	810,153	16.3
Self-produced	200,247	6.2	317,360	7.9	244,338	8.2	348,058	7.0
Externally sourced	460,609	14.2	496,619	12.4	368,675	12.4	462,095	9.3
Marine propulsion and auxiliary engines	481,183	14.9	476,999	11.9	369,048	12.4	477,014	9.6
Self-produced	397,149	12.3	408,596	10.2	314,807	10.6	410,856	8.3
Externally sourced	84,034	2.6	68,403	1.7	54,241	1.8	66,158	1.3
Power generator sets	114,769	3.6	113,234	2.8	60,881	2.0	335,628	6.8
Self-produced	18,752	0.6	16,697	0.4	18,020	0.6	213,270	4.3
Externally sourced	96,017	3.0	96,537	2.4	42,861	1.4	122,358	2.5
Engine components and others	185,855	5.7	357,096	8.9	215,347	7.3	719,533	14.5
Total	3,239,008	100.0	3,999,796	100.0	2,967,871	100.0	4,967,199	100.0

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The table below sets forth the engine and power generator set units sold by product category for the years/periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2023	2024	2024	2025
	(unit)			
Power Generator Engines	35,601	43,225	32,255	44,226
Large engines	977	1,394	1,069	1,821
Self-produced	828	1,219	928	1,623
Externally sourced	149	175	141	198
Heavy-duty engines	5,023	4,756	3,692	4,388
Self-produced	4,941	4,437	3,440	4,116
Externally sourced	82	319	252	272
Medium- to light-duty engines	29,601	37,075	27,494	38,017
Self-produced	5,501	7,598	5,810	8,948
Externally sourced	24,100	29,477	21,684	29,069
Marine Propulsion and Auxiliary				
Engines	4,911	4,282	3,412	4,021
Self-produced	2,144	2,090	1,616	1,910
Externally sourced	2,767	2,192	1,796	2,111
Power Generator Sets	170	1,448	789	1,732
Self-produced	39	14	13	109
Externally sourced	131	1,434	776	1,623
Total	40,682	48,955	36,456	49,979

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The table below sets forth the average unit selling prices of engines and power generator sets by product category for the years/periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2023	2024	2024	2025
(RMB'000 per unit)				
Power Generator Engines				
Large engines	873	986	969	1,061
Self-produced	788	915	889	1,012
Externally sourced	1,347	1,481	1,499	1,467
Heavy-duty engines	188	182	182	158
Self-produced	189	187	188	161
Externally sourced	112	110	108	117
Medium- to light-duty engines	22	22	22	21
Self-produced	36	42	42	39
Externally sourced	19	17	17	16
Marine Propulsion and Auxiliary Engines				
Self-produced	185	196	195	215
Externally sourced	30	31	30	31
Power Generator Sets⁽¹⁾				
Self-produced	481	1,193	1,386	1,957

Note:

- (1) During the Track Record Period, we procured finished power generator sets from OEMs for sales to our customers. For such externally sourced power generator sets, revenue was recognized either (i) on a gross basis in the amount of sales contract consideration or (ii) on a net basis in the amount of any fee or commission to which we expect to be entitled (depending on whether we acted as a principal or an agent). See “Description of Major Components of Consolidated Statements of Profit of Loss — Revenue — Sales of Power Generator Sets” in this section for details. Therefore, average unit selling price is not a meaningful measure for externally sourced power generator sets.

During the Track Record Period, large engines were generally at higher average unit selling prices than other engine types, reflecting their higher power output, greater technical complexity and higher material and production costs. The average unit selling price of self-produced power generator sets in 2023 was significantly lower than that in the other years/periods during the Track Record Period, mainly because, in response to market demand at the time, the power generator sets we produced in 2023 were mainly built around heavy-duty engines and medium- to light-duty engines which were at relatively lower selling prices.

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During the Track Record Period, we generated our revenue mainly from sales of products in Chinese mainland. The table below sets forth a breakdown of our revenues by region for the years/ periods indicated:

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Chinese mainland	3,118,778	96.3	3,785,372	94.6	2,840,138	95.7	4,751,855	95.7
Overseas	120,230	3.7	214,424	5.4	127,733	4.3	215,344	4.3
Total	3,239,008	100.0	3,999,796	100.0	2,967,871	100.0	4,967,199	100.0

Sales of Power Generator Engines

During the Track Record Period, our largest revenue contributor was the sales of power generator engines. For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our revenue from the sales of power generator engines amounted to RMB2,457.2 million, RMB3,052.5 million, RMB2,322.6 million and RMB3,435.0 million, respectively, accounting for 75.8%, 76.4%, 78.3% and 69.1% of our total revenue for the same respective periods.

The increase in our revenue from power generator engines during the Track Record Period was primarily driven by increases in our revenue from sales of large engines. For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our revenue from the sales of large engines amounted to RMB853.3 million, RMB1,374.1 million, RMB1,036.2 million and RMB1,932.2 million, respectively, accounting for 26.4%, 34.5%, 35.0% and 38.9% of our total revenue for the same respective periods. Our revenue from the sales of large engines increased during the Track Record Period, primarily attributable to the increased sales of our self-produced high-power large engines for the data center industry, particularly the YC16VC series power generator engines, as we focused on the development and production of large engines with high performance and reliability to cater to and capitalize on the growing demand of end users in the data center industry. In particular, in the nine months ended September 30, 2025, we achieved a significant growth in the sales of our self-produced large engines, particularly high-power large engines for data center applications, as we increased our market penetration in the data center industry which continued to grow rapidly.

For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our revenue from the sales of heavy-duty engines amounted to RMB943.0 million, RMB864.4 million, RMB673.4 million and RMB692.7 million, respectively, accounting for 29.0%, 21.6%, 22.7% and 13.9% of our total revenue for the same respective periods. Our revenue from the sales of heavy-duty engines decreased from 2023 to 2024 and remained flat in the nine months ended September 30, 2025 as compared to the comparable period in 2024, as we continuously

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experienced and managed a general decrease in market demand from the relevant downstream industries, such as property development and animal husbandry, and the resultant downward pricing pressure.

For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our revenue from the sales of medium- to light-duty engines amounted to RMB660.9 million, RMB814.0 million, RMB613.0 million and RMB810.2 million, respectively, accounting for 20.4%, 20.3%, 20.6% and 16.3% of our total revenue for the same respective periods. Our revenue from the sales of medium- to light-duty engines increased during the Track Record Period, primarily attributable to increases in the sales of our self-produced YC6MJ and YC6MK series power generator sets, and increases in the sales of YC4D series power generator engines we sourced externally, as we undertook sales promotions primarily for maintaining and expanding our market share in respect of such engines.

Sales of Marine Propulsion and Auxiliary Engines

For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our revenue from the sales of marine propulsion and auxiliary engines amounted to RMB481.2 million, RMB477.0 million, RMB369.0 million and RMB477.0 million, respectively, accounting for 14.9%, 11.9%, 12.4% and 9.6% of our total revenue for the same respective periods. Our revenue from the sales of marine propulsion and auxiliary engines remained flat in 2024 as compared to 2023. Our revenue from the sales of marine propulsion and auxiliary engines increased in the nine months ended September 30, 2025 as compared to the comparable period in 2024, primarily due to an increase in our sales of new-generation gas-fueled marine propulsion and auxiliary engines installed in inland waterway cargo vessels in the Yangtze River Basin. We continued to experience a decline in demand for marine propulsion and auxiliary engines in other areas we had historically targeted.

Sales of Power Generator Sets

We generated revenue from the sales of custom-assembled power generator sets. Power generator sets we sold were primarily built around engines we offered and integrated externally sourced alternators and a full suite of other components, such as cooling, control and intake and exhaust systems. During the Track Record Period, we assembled only a small portion of power generator sets in-house and sourced most power generator sets from qualified OEMs who purchased power generator engines from us and integrated such engines into power generator sets pursuant to our customers’ specifications and requirements. We primarily purchased the finished power generator sets from such OEMs upon receipt of confirmed orders from our customers, and sold such power generator sets under our brand to our customers pursuant to their purchase orders to or contracts with us. In such cases, we were not the primary obligor and did not assume inventory risk. Therefore, we acted as an agent rather than a principal in selling such power generator sets and recognized revenue on a net basis in the amount of any fee or commission to which we expect to be entitled in exchange for arranging for such transactions. From time to time, we also purchased certain power generator sets for inventory in anticipation of customer demand, in which cases we acted as a principal and assumed inventory risk and recognized revenue on a gross basis in the

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amount of sales contract considerations. For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our revenue from the sales of power generator sets as an agent recognized on a net basis amounted to RMB2.4 million, RMB10.2 million, RMB5.9 million and RMB72.8 million, respectively.

For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our revenue from the sales of power generator sets amounted to RMB114.8 million, RMB113.2 million, RMB60.9 million and RMB335.6 million, respectively, accounting for 3.6% and 2.8%, 2.0% and 6.8% of our total revenue for the same respective periods. Our revenue from the sales of power generator sets remained flat in 2024 as compared to 2023. Our revenue from the sales of power generator sets increased significantly in the nine months ended September 30, 2025 as compared to the comparable period in 2024, primarily driven by the increasing demand of end users in the data center and certain other downstream industries, including the distributed power station and infrastructure construction industries. In particular, we increased our market penetration in the data center industry which continued to grow rapidly and acquired additional customers, including leading internet technology companies, which purchased power generator sets from us for data center applications.

Sales of Engine Components and Others

We generated revenue from the sales of engine components we produced, primarily including (i) sales of engine components, primarily cylinder blocks and cylinder heads, to MTU Yuchai, our 50-50 joint venture with Rolls-Royce, and (ii) sales of engine components to the GYMCL Related Parties as our distributors for further distribution to our chain of authorized service stations to provide after-sales services for our customers and other end users.

During the Track Record Period, we also provided certain services related to the development and manufacture of engines, which primarily consist of (i) the engine part machining services we provided to MTU Yuchai, (ii) repairing, replacing or otherwise remediating defects in components our suppliers supplied to us for which we charged suppliers repair service fees, (iii) the engine R&D services we provided to the GYMCL Related Parties, and (iv) rental of production facilities and casting equipment to the GYMCL Related Parties.

For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our revenue from the sales of engine components and others amounted to RMB185.9 million, RMB357.1 million, RMB215.3 million and RMB719.5 million, respectively, accounting for 5.7%, 8.9%, 7.3% and 14.5% of our total revenue for the same respective periods. Our revenue from the sales of engine components and others grew significantly during the Track Record Period, primarily because (i) beginning in 2024, we started to sell to and sold increasing volumes of finished engine components to MTU Yuchai, and (ii) the sales of our engines and power generator sets increased, resulting in the increasing demand for our engine components and components which are used for servicing and maintenance.

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Cost of Sales

Our cost of sales primarily consists of (i) costs of materials and components, (ii) staff costs, (iii) warranty expenses, (iv) impairment loss on inventory, (v) depreciation expenses, and (vi) others mainly comprising shipping, packaging and warehousing costs. The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as percentages of our total cost of sales, for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	% (unaudited)	RMB'000 (unaudited)	% (unaudited)
Costs of materials and components	2,196,652	87.4	2,601,063	84.9	1,933,027	84.7	3,304,864	87.3
Staff costs	61,936	2.5	102,043	3.3	72,853	3.2	100,734	2.7
Warranty expenses	26,711	1.1	59,662	1.9	38,672	1.7	78,172	2.1
Impairment loss on inventory	5,934	0.2	9,882	0.3	9,758	0.4	27,798	0.7
Depreciation expenses	81,456	3.2	86,109	2.8	65,718	2.9	65,890	1.7
Others	140,791	5.6	204,615	6.7	162,071	7.1	207,151	5.5
Total	2,513,481	100.0	3,063,374	100.0	2,282,098	100.0	3,784,608	100.0

The following table sets forth a breakdown of our cost of sales by product categories, in absolute amounts and as percentage of our total cost of sales, for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	% (unaudited)	RMB'000 (unaudited)	% (unaudited)
Power generator engines	1,896,268	75.4	2,307,070	75.3	1,768,642	77.5	2,582,672	68.2
Large engines	636,006	25.2	958,575	31.3	746,175	32.7	1,324,046	34.9
Heavy-duty engines	627,993	25.0	588,382	19.2	451,877	19.8	494,424	13.1
Medium- to light-duty engines	632,269	25.2	760,113	24.8	570,590	25.0	764,202	20.2
Marine propulsion and auxiliary engines	356,329	14.2	352,687	11.5	274,081	12.0	375,379	9.9
Power generator sets	107,037	4.3	107,838	3.5	52,397	2.3	200,113	5.3
Engine components and others	153,847	6.1	295,779	9.7	186,978	8.2	626,444	16.6
Total	2,513,481	100.0	3,063,374	100.0	2,282,098	100.0	3,784,608	100.0

During the Track Record Period, our cost of sales amounted to RMB2,513.5 million, RMB3,063.4 million, RMB2,282.1 million and RMB3,784.6 million for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively, accounting for 77.6%, 76.6%, 76.9% and 76.2% of our total revenue for the same respective periods. Our cost of sales increased during the Track Record Period generally in line with the growth of our revenue.

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Materials and components constitute the most significant component of our cost of sales. Materials and components consist of engine components, such as cylinder block rough castings, cylinder head rough castings, fuel injectors and crankshafts, and externally sourced finished engines and finished power generator sets. During the Track Record Period, costs of materials and components amounted to RMB2,196.7 million, RMB2,601.1 million, RMB1,933.0 million and RMB3,304.9 million for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively, accounting for 87.4%, 84.9%, 84.7% and 87.3% of our total cost of sales for the same respective periods. Our materials and components costs increased during the Track Record Period, primarily attributable to the increases in sales volumes of large engines, medium- to light-duty engines, power generator sets and engine components. In addition, in March 2024, we transitioned from in-house production of cylinder block rough castings for our self-produced large engines and heavy-duty engines to sourcing such rough castings from suppliers. Since then, in addition to certain other rough castings, we have been procuring cylinder block rough castings primarily from the GYMCL Related Parties, and recorded such purchases as materials and components within our cost of sales.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	% (unaudited)	RMB'000 (unaudited)	% (unaudited)
Power generator engines	560,933	22.8	745,397	24.4	553,953	23.9	852,352	24.8
Large engines	217,333	25.5	415,532	30.2	289,977	28.0	608,158	31.5
Heavy-duty engines	315,013	33.4	275,999	31.9	221,553	32.9	198,243	28.6
Medium- to light-duty engines	28,587	4.3	53,866	6.6	42,423	6.9	45,951	5.7
Marine propulsion and auxiliary Engines	124,854	25.9	124,312	26.1	94,967	25.7	101,635	21.3
Power generator sets	7,732	6.7	5,396	4.8	8,484	13.9	135,515	40.4
Engine components and others	32,008	17.2	61,317	17.2	28,369	13.2	93,089	12.9
Total	725,527	22.4	936,422	23.4	685,773	23.1	1,182,591	23.8

For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our gross profit was RMB725.5 million, RMB936.4 million, RMB685.8 million and RMB1,182.6 million, respectively, and our gross profit margin was 22.4%, 23.4%, 23.1% and 23.8%, respectively. Our overall gross profit margin was relatively stable during the Track Record Period.

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The gross profit margin of large engines was 25.5%, 30.2%, 28.0% and 31.5% for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively. The increase in gross profit margin of large engines was primarily attributable to an overall increase in average unit selling prices of high-power models among our self-produced large engines and an increase in the sales of such models, as a percentage of total revenue of large engines. We continued to focus our efforts on the production and sales of an increasing number of high-power large engines, particularly the high-margin YC16VC series, for data center applications to cater to and capitalize on the growing demand of end users in the industry for reliable and high-power backup power generator sets.

The gross profit margin of heavy-duty engines was 33.4%, 31.9%, 32.9% and 28.6% for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively. Fluctuations in the gross profit margin of heavy-duty engines during the Track Record Period were primarily attributable to our strategic price adjustments in response to changes in downstream industry demand to maintain our market competitiveness.

The gross profit margin of medium- to light-duty engines remained stable and was 4.3%, 6.6%, 6.9% and 5.7% for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively. Gross profit margins of medium- to light-duty engines were generally low during the Track Record Period because (i) such lower-power engines generally were at relatively low selling prices, and (ii) a majority of such engines we sold was externally sourced engines which generally have lower gross profit margins.

The gross profit margin of marine propulsion and auxiliary engines was 25.9%, 26.1%, 25.7% and 21.3% for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025. The decrease in the gross profit margin of marine propulsion and auxiliary engines for the nine months ended September 30, 2025 as compared to the comparable period of 2024 was primarily attributable to (i) our competitive introductory pricing for our new-generation gas-fueled marine propulsion and auxiliary engines, and (ii) our strategic price adjustments in response to intense market competition to maintain our market competitiveness.

The gross profit margin of power generator sets was 6.7%, 4.8%, 13.9% and 40.4% for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively. The gross profit margin of power generator sets increased significantly in the nine months ended September 30, 2025, primarily attributable to (i) the increased sales of high-power power generator sets for the data center industry which generally have higher selling prices and gross profit margins, and (ii) an increase in the revenue generated from power generator sets which we sold as an agent with revenue recognized on a net basis.

The gross profit margin of our engine components and others remained stable (i) at 17.2% in both 2023 and 2024, and (ii) at 12.9% for the nine months ended September 30, 2025 as compared to 13.2% for the comparable period in 2024.

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Other Income and Gains

Other income and gains consist primarily of (i) bank interest income, (ii) government grants, (iii) gain on disposal of property, plant and equipment, and (iv) net foreign exchange gains. The following table sets forth a breakdown of our other income and gains for the periods indicated.

	Year Ended December 31,		Nine Months Ended September 30,	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Other income				
Bank interest income	11,511	12,749	9,656	12,303
Government grants	3,026	21,876	9,877	41,639
Others	4,200	1,106	947	190
Subtotal	18,737	35,731	20,480	54,132
Gains				
Gain on disposal of property, plant and equipment	818	—	—	—
Foreign exchange gains, net	105	1,263	1,198	2,193
Subtotal	923	1,263	1,198	2,193
Total	19,660	36,994	21,678	56,325

We received government grants in the form of subsidies from relevant government authorities as incentives for our research and development projects and production facility expansion projects. The availability of government grants is generally subject to government fiscal conditions and subsidy policies. For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, we recorded government grants of RMB3.0 million, RMB21.9 million, RMB9.9 million and RMB41.6 million, respectively. The increase in government grants during the Track Record Period was primarily attributable to an increasing amount of government grants that we applied to and received during the relevant periods.

We had net foreign exchange gains or losses mainly in relation to the sales of our products to the overseas markets where the purchase prices were normally denominated in foreign currencies. With respect to any such overseas sale, we recognize profit or loss from a change in exchange rates of the relevant foreign currency between the time such sale is recorded and when it is finally settled. During the Track Record Period, we recorded net foreign exchange gains of RMB0.1 million, RMB1.3 million, RMB1.2 million and RMB2.2 million, respectively, for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025. The increase in net foreign exchange gains during the Track Record Period was primarily attributable to the combined effect of the increased sales of our products to overseas markets and fluctuations in foreign currencies to RMB exchange rates.

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Research and Development Expenses

Our research and development expenses are costs incurred for specific R&D projects, consist primarily of (i) material testing and verification expenses, (ii) depreciation and amortization, (iii) staff costs for our research and development personnel, (iv) external service fees for external R&D and technical services we engaged from third-party providers, and (v) others, mainly comprising traveling expenses and patent fees. The following table sets forth a breakdown of our research and development expenses for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Material testing and verification expenses	90,213	42.6	176,853	62.0	103,035	57.3	159,909	60.2
Depreciation and amortization	46,346	21.9	50,867	17.8	36,400	20.2	46,383	17.5
Staff costs	36,556	17.2	40,041	14.0	31,356	17.4	44,284	16.7
External service fees	32,093	15.1	12,903	4.5	6,513	3.6	8,609	3.2
Others	6,754	3.2	4,808	1.7	2,513	1.4	6,477	2.4
Total	211,962	100.0	285,472	100.0	179,817	100.0	265,662	100.0

Research and development expenses increased (i) from RMB212.0 million in 2023 to RMB285.5 million in 2024 and (ii) to RMB265.7 million for the nine months ended September 30, 2025 as compared to RMB179.8 million for the comparable period in 2024. Our research and development expenses increased during the Track Record Period, primarily attributable to the increasing number of high-power engine models and prototypes we developed and tested during the Track Record Period. We intend to continue to expand our research and development efforts, particularly with respect to high-power engines and low and zero carbon engines.

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Selling and Distribution Expenses

Our selling and distribution expenses consist primarily of (i) staff costs for our sales and marketing personnel, (ii) business development and travel expenses, (iii) advertising and marketing expenses, (iv) warehousing and logistics expenses, (v) sales service fees, and (vi) others, mainly comprising transportation fees and consulting fees. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Staff costs	45,983	43.1	49,272	42.2	39,701	49.1	61,120	54.9
Business development and travel expenses	19,995	18.7	33,620	28.8	21,143	26.1	18,671	16.8
Advertising and marketing expenses	9,516	8.9	14,584	12.5	7,819	9.7	7,261	6.5
Warehousing and logistics expenses	6,447	6.0	7,041	6.0	1,845	2.3	3,784	3.4
Sales service fees	15,855	14.9	4,560	3.9	4,248	5.3	9,175	8.2
Others	8,887	8.3	7,722	6.6	6,119	7.6	11,388	10.2
Total	106,683	100.0	116,799	100.0	80,875	100.0	111,399	100.0

Selling and distribution expenses increased (i) from RMB106.7 million in 2023 to RMB116.8 million in 2024 and (ii) to RMB111.4 million for the nine months ended September 30, 2025 as compared to RMB80.9 million for the comparable period in 2024. The increase in our selling and distribution expenses was generally in line with increased sales of our products.

Staff costs for our sales and marketing personnel, which was the largest component of our selling and distribution expenses, amounted to RMB46.0 million, RMB49.3 million, RMB39.7 million and RMB61.1 million for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, accounting for 43.1%, 42.2%, 49.1% and 54.9% of our total selling and distribution expenses for the same respective periods. The increase in staff costs for our sales and marketing personnel in the nine months ended September 30, 2025 was primarily attributable to an increase in the number of our sales and marketing personnel as part of our efforts to expand our sales and marketing in overseas markets, as well as an increase in average compensation for our sales and marketing personnel.

Business development and travel expenses consist primarily of travel expenses, business entertainment expenses and conference expenses. During the Track Record Period, business development and travel expenses amounted to RMB20.0 million, RMB33.6 million, RMB21.1 million and RMB18.7 million for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, accounting for 18.7%, 28.8%, 26.1% and 16.8% of our total selling and distribution expenses for the same respective periods. The increase in business development and travel expenses in 2024 was primarily attributable to expanded business development activities and increased travel to support our business expansion.

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Administrative Expenses

Our administrative expenses consist primarily of (i) staff costs for our administrative personnel, (ii) professional service expenses, (iii) office and other administrative expenses, (iv) taxes and surcharges, and (v) other expenses mainly comprising transportation fees, telecommunication fees and property insurance fees. The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	% (unaudited)	RMB'000 (unaudited)	% (unaudited)
Staff costs	31,313	52.2	32,322	50.1	21,043	62.8	26,630	41.9
Professional service expenses	12,362	20.6	16,097	24.9	5,079	15.2	14,676	23.1
Office and other administrative expenses	8,353	13.9	10,681	16.5	2,655	7.9	15,365	24.2
Taxes and surcharges	1,886	3.1	2,427	3.8	1,745	5.2	3,357	5.3
Others	6,024	10.1	3,018	4.7	2,993	8.9	3,577	5.6
Total	59,938	100.0	64,544	100.0	33,517	100.0	63,605	100.0

Staff costs for our administrative personnel, which was the largest component of our administrative expenses, amounted to RMB31.3 million, RMB32.3 million, RMB21.0 million and RMB26.6 million for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, accounting for 52.2%, 50.1%, 62.8% and 41.9% of our total administrative expenses for the same respective periods. The increase in staff costs for our administrative personnel in the nine months ended September 30, 2025 was primarily attributable to the increased performance-based and other compensation for our employees in line with increased sales.

Professional service expenses consist primarily of expenses in relation to brand management and shared services and consulting services. During the Track Record Period, professional service expenses amounted to RMB12.4 million, RMB16.1 million, RMB5.1 million and RMB14.7 million for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, accounting for 20.6%, 24.9%, 15.2% and 23.1% of our total administrative expenses for the same respective periods. The increase in professional service expenses in the nine months ended September 30, 2025 was primarily attributable to an increase in service fees related to brand management and shared services and consulting services in respect of government grants.

Office and other administrative expenses consist primarily of traveling, business development and office expenses, expenses incurred for testing and other control measures to address potential quality issues identified prior to production phase and membership fees in respect of our memberships in certain industry associations. During the Track Record Period, office and other administrative expenses amounted to RMB8.4 million, RMB10.7 million, RMB2.7 million and RMB15.4 million for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, accounting for 13.9%, 16.5%, 7.9% and 24.2% of our total

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administrative expenses for the same respective periods. The increase in office and other administrative expenses in the nine months ended September 30, 2025 was primarily attributable to our increased focus and spending on quality testing and monitoring.

Other Expenses

Our other expenses consist primarily of expenses incurred for bill discounting and losses incurred for disposal of plant, property and equipment. During the Track Record, other expenses amounted to RMB1.4 million, RMB2.3 million, RMB1.4 million and RMB2.6 million, respectively, for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025.

Finance Costs

Our finance costs consist primarily of (i) interest on bank loans and (ii) interest on lease liabilities. The following table sets forth a breakdown of our finance costs for the periods indicated.

	Year Ended December 31,		Nine Months Ended September 30,	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest on bank loans	10,666	7,070	5,219	5,172
Interest on lease liabilities	432	478	456	2,199
Total	11,098	7,548	5,675	7,371

Interest on bank loans decreased from RMB10.7 million in 2023 to RMB7.1 million in 2024, primarily attributable to preferential interest rates we received on some of our bank loans under various government initiatives for rewarding and incentivizing business enterprises for their contributions to local economic and industrial developments. Interest on bank loans remained stable and was RMB5.2 million and RMB5.2 million for the nine months ended September 30, 2024 and 2025, respectively.

Share of Profits of a Joint Venture

Our share of profits of a joint venture represents our share of the profit of MTU Yuchai, our 50–50 joint venture with Rolls-Royce, which is accounted for using the equity method. During the Track Record Period, our share of profits of a joint venture amounted to RMB75.1 million, RMB86.1 million, RMB66.7 million and RMB89.7 million for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively.

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Income Tax Expenses

Our income tax expenses consist primarily of current income taxes payable by our Company and our subsidiaries and deferred tax. During the Track Record Period, our income tax expenses amounted to RMB33.3 million, RMB47.0 million, RMB44.3 million and RMB116.0 million for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively. The significant increase in income tax expenses in the nine months ended September 30, 2025 was primarily because the policy on additional tax deduction for R&D expenses in such period offered less tax benefits than in the nine months ended September 30, 2024.

Pursuant to the Corporate Income Tax Law of the PRC and the relevant regulations, our subsidiaries in the PRC are subject to corporate income tax at a rate of 25% on taxable income. On November 28, 2024, our Company was recognized as a “High and New Technology Enterprise” and, as a result, was entitled to a preferential corporate income tax rate of 15% valid through December 31, 2026. According to tax regulations related to the Western Region Development Policy of the PRC government, Our Company has been subject to a preferential tax rate of 15%. This tax concession started on January 1, 2021 and is scheduled to expire on December 31, 2030.

In addition, according to the relevant tax regulations of the PRC, starting from January 1, 2023, if the research and development expenses actually incurred by enterprises are not capitalized as intangible assets and are included in the current profits and losses, 100% of the actual amount incurred will be additionally tax deductible.

For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our effective tax rate was 7.8%, 8.1%, 9.4% and 13.2%, respectively. Our effective tax rates were relatively low primarily due to our Company being subject to preferential tax treatment and additional tax deduction for R&D expenses.

Profit for the Year/Period

As a result of the foregoing, during the Track Record Period, we recorded profit for the year/period of RMB395.9 million, RMB535.8 million, RMB428.6 million and RMB762.0 million for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, respectively.

DISCUSSION OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2025 Compared to Nine Months Ended September 30, 2024

Revenue

Our revenue increased by 67.4% from RMB2,967.9 million for the nine months ended September 30, 2024 to RMB4,967.2 million for the nine months ended September 30, 2025, as our revenue from the sales of power generator engines, marine propulsion and auxiliary engines, power generator sets, and engine components and others increased in the nine months ended September 30, 2025 as compared to the comparable period of 2024.

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Sales of Power Generator Engines

Our revenue from sales of power generator engines increased by 47.9% from RMB2,322.6 million in the nine months ended September 30, 2024 to RMB3,435.0 million in the nine months ended September 30, 2025.

- *Large Engines.* Our revenue from sales of large engines increased by 86.5% from RMB1,036.2 million in the nine months ended September 2024 to RMB1,932.2 million in the nine months ended September 30, 2025, primarily due to increases in the sales volume and average unit selling price of large engines as we continued our efforts on the development, production and sales of our self-produced high-power power generator engines with high performance and reliability, particularly YC16VC series power generator engines, to cater to and capitalize on the growing demand of end users in the data center industry. The sales volume of large engines increased from 1,069 units in the nine months ended September 30, 2024 to 1,821 units in the nine months ended September 30, 2025, mainly attributable to an increase in the sales volume of our self-produced large engines, primarily due to the increased demand of end users in the data center industry, in particular leading internet technology companies and telecommunications operators in the PRC. The average unit selling price of large engines increased from RMB969 thousand in the nine months ended September 30, 2024 to RMB1,061 thousand in the nine months ended September 30, 2025, primarily due to the increased sales of our self-produced high-power large engines with higher selling prices for the data center industry.
- *Heavy-Duty Engines.* Our revenue from sales of heavy-duty engines increased by 2.9% from RMB673.4 million in the nine months ended September 30, 2024 to RMB692.7 million in the nine months ended September 30, 2025, primarily due to an increase in the sales volume of heavy-duty engines, which was partially offset by a decrease in the average unit selling price. The sales volume of heavy-duty engines increased from 3,692 units in the nine months ended September 30, 2024 to 4,388 units in the nine months ended September 30, 2025, mainly attributable to an increase in the sales volume of our self-produced heavy-duty engines, primarily due to the increased demand from end users in certain downstream industries mainly including animal husbandry and residential power generation. The average unit selling price of heavy-duty engines decreased from RMB182 thousand in the nine months ended September 30, 2024 to RMB158 thousand in the nine months ended September 30, 2025 as our self-produced heavy-duty engines for animal husbandry and residential power generation applications, which drove the increase in the sales volume of heavy-duty engines, generally had lower selling prices than other models of heavy-duty engines we sold.
- *Medium- to Light-Duty Engines.* Our revenue from sales of medium- to light-duty engines increased by 32.2% from RMB613.0 million in the nine months ended September 30, 2024 to RMB810.2 million in the nine months ended September 30, 2025, primarily due to an increase in the sales volume of medium- to light-duty engines, which was partially offset by a decrease in the average unit selling price. The sales

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volume of medium- to light-duty engines increased from 27,494 units in the nine months ended September 30, 2024 to 38,017 units in the nine months ended September 30, 2025, primarily due to our continued efforts to market and sell an increasing number of our self-produced YC6MJ and YC6MK series and externally sourced YC4D series power generator engines in order to gain market share in the relevant product market segment. The average unit selling price of medium- to light-duty engines decreased from RMB22 thousand in the nine months ended September 30, 2024 to RMB21 thousand in the nine months ended September 30, 2025, as we continued to run sales promotion for YC6MJ, YC6MK and YC4D series power generator engines.

Sales of Marine Propulsion and Auxiliary Engines

Our revenue from sales of marine propulsion and auxiliary engines increased by 29.3% from RMB369.0 million in the nine months ended September 30, 2024 to RMB477.0 million in the nine months ended September 30, 2025, primarily due to increases in the sales volume and average unit selling price of marine propulsion and auxiliary engines. The sales volume of marine propulsion and auxiliary engines increased from 3,412 units in the nine months ended September 30, 2024 to 4,021 units in the nine months ended September 30, 2025, as we sold an increasing number of new generation gas-fueled marine propulsion and auxiliary engines primarily due to the increased market demand mainly driven by PRC government policies to encourage and promote clean energy engines for marine applications. The average unit selling price of marine propulsion and auxiliary engines increased from RMB108 thousand in the nine months ended September 30, 2024 to RMB119 thousand in the nine months ended September 30, 2025 as new generation gas-fueled marine propulsion and auxiliary engines generally had higher selling prices mainly due to increased market demand.

Sales of Power Generator Sets

Our revenue from sales of power generator sets increased by 451.3% from RMB60.9 million in the nine months ended September 30, 2024 to RMB335.6 million in the nine months ended September 30, 2025, primarily due to increases in the sales volume of power generator sets. The sales volume of power generator sets increased from 789 units in the nine months ended September 30, 2024 to 1,732 units in the nine months ended September 30, 2025, primarily driven by the increasing demand of end users in the data center industry.

Sales of Engine Components and Others

Our revenue from sales of engine components and others increased by 234.1% from RMB215.3 million in the nine months ended September 30, 2024 to RMB719.5 million in the nine months ended September 30, 2025, primarily due to (i) an increase in the volume of engine components we provided to MTU Yuchai, and (ii) the increased demand for our engine components and components for the servicing and maintenance as the sales of our engine and power generator set products experienced a significant growth.

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Cost of Sales

Our cost of sales increased by 65.8% from RMB2,282.1 million in the nine months ended September 30, 2024 to RMB3,784.6 million in the nine months ended September 30, 2025, primarily due to increases in costs of materials and components. Costs of materials and components increased by 71.0% from RMB1,933.0 million in the nine months ended September 30, 2024 to RMB3,304.9 million in the nine months ended September 30, 2025 as our total revenue increased and we started to purchase cylinder block rough castings as part of our supplies since March 2024.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we had gross profit of RMB685.8 million and RMB1,182.6 million in the nine months ended September 30, 2024 and 2025, respectively. Our overall gross profit margin increased from 23.1% in the nine months ended September 30, 2024 to 23.8% in the nine months ended September 30, 2025.

Power Generator Engines: The gross profit margin of power generator engines increased from 23.9% in the nine months ended September 30, 2024 to 24.8% in the nine months ended September 30, 2025.

- *Large Engines:* The gross profit margin of large engines increased from 28.0% in the nine months ended September 30, 2024 to 31.5% in the nine months ended September 30, 2025, primarily due to the increased production and sales of high-power large engines, particularly YC16VC series, which have higher margin, for the data center industry.
- *Heavy-Duty Engines:* The gross profit margin of heavy-duty engines decreased from 32.9% in the nine months ended September 30, 2024 to 28.6% in the nine months ended September 30, 2025, primarily due to our strategic price adjustments in response to changes in downstream industry demand to maintain our market competitiveness.
- *Medium- to Light-Duty Engines:* The gross profit margin of medium- to light-duty engines decreased from 6.9% in the nine months ended September 30, 2024 to 5.7% in the nine months ended September 30, 2025, as we adjusted our pricing in order to support our market promotion and expand our market share, resulting in a decrease in the average unit selling price of medium- to light-duty engines.

Marine Propulsion and Auxiliary Engines: The gross profit margin of marine propulsion and auxiliary engines decreased from 25.7% in the nine months ended September 30, 2024 to 21.3% in the nine months ended September 30, 2025, primarily due to (i) our competitive introductory pricing for our new-generation gas-fueled marine propulsion and auxiliary engines, and (ii) our strategic price adjustments in response to intense market competition to maintain our market competitiveness.

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Power Generator Sets: The gross profit margin of power generator sets increased from 13.9% in the nine months ended September 30, 2024 to 40.4% in the nine months ended September 30, 2025, primarily due to (i) the increased sales of high-power power generator sets for the data center industry which generally have higher selling prices and gross profit margins, and (ii) an increase in the revenue generated from power generator sets which we sold as an agent with revenue recognized on a net basis.

Engine Components and Others: The gross profit margin of our engine components and others remained stable and was 13.2% and 12.9% for the nine months ended September 30, 2024 and 2025, respectively.

Other Income and Gains

Our other income and gains increased by 159.8% from RMB21.7 million in the nine months ended September 30, 2024 to RMB56.3 million in the nine months ended September 30, 2025, primarily due to an increase in government grants from RMB9.9 million in the nine months ended September 30, 2024 to RMB41.6 million in the nine months ended September 30, 2025.

Research and Development Expenses

Our research and development expenses increased by 47.7% from RMB179.8 million in the nine months ended September 30, 2024 to RMB265.7 million in the nine months ended September 30, 2025, primarily due to (i) an increase in material testing and verification expenses from RMB103.0 million in the nine months ended September 30, 2024 to RMB159.9 million in the nine months ended September 30, 2025 primarily due to an increase in the number of high-power products under development, (ii) an increase in staff costs for our research and development personnel from RMB31.4 million in the nine months ended September 30, 2024 to RMB44.3 million mainly as a result of increases in the number of and average compensation for our research and development personnel, and (iii) an increase in depreciation and amortization from RMB36.4 million in the nine months ended September 30, 2024 to RMB46.4 million mainly as a result of our increased purchases of R&D equipment to support our business development.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 37.7% from RMB80.9 million in the nine months ended September 30, 2024 to RMB111.4 million in the nine months ended September 30, 2025, primarily due to an increase in staff costs for our selling and marketing personnel. Staff costs for our selling and marketing personnel increased by 54.0% from RMB39.7 million in the nine months ended September 30, 2024 to RMB61.1 million, primarily attributable to an increase in the number of our sales and marketing personnel as part of our efforts to expand our sales and marketing in overseas markets, as well as an increase in average compensation for our sales and marketing personnel.

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Administrative Expenses

Our administrative expenses increased by 89.8% from RMB33.5 million in the nine months ended September 30, 2024 to RMB63.6 million in the nine months ended September 30, 2025, primarily due to (i) an increase in office and other administrative expenses from RMB2.7 million in the nine months ended September 30, 2024 to RMB15.4 million mainly as a result of our increased focus and spending on quality testing and monitoring, (ii) an increase in professional service expenses from RMB5.1 million in the nine months ended September 30, 2024 to RMB14.7 million in the nine months ended September 30, 2025, mainly as a result of an increase in consulting service fees related to government grants, and (iii) an increase in staff costs for our administrative personnel from RMB21.0 million in the nine months ended September 30, 2024 to RMB26.6 million in the nine months ended September 30, 2025 mainly as a result of the increased performance-based and other compensation for our employees in line with increased sales.

Other Expenses

Our other expenses increased by 86.6% from RMB1.4 million in the nine months ended September 30, 2024 to RMB2.6 million in the nine months ended September 30, 2025, primarily due to an increase in expected credit losses on trade receivables.

Finance Costs

Our finance costs increased by 29.9% from RMB5.7 million in the nine months ended September 30, 2024 to RMB7.4 million in the nine months ended September 30, 2025, primarily due to an increase in interest on our bank loans mainly as the amount of bank loans increased.

Share of Profits of a Joint Venture

Our share of profits of a joint venture increased by 34.4% from RMB66.7 million in the nine months ended September 30, 2024 to RMB89.7 million in the nine months ended September 30, 2025 primarily due to the growing demand of end users in the data center industry.

Income Tax Expenses

Our income tax expenses amounted to RMB116.0 million in the nine months ended September 30, 2025 as compared to RMB44.3 million in the comparable period of 2024, primarily because the policy on additional tax deduction for R&D expenses in such period offered less tax benefits than in the nine months ended September 30, 2024.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 77.8% from RMB428.6 million in the nine months ended September 30, 2024 to RMB762.0 million in the nine months ended September 30, 2025.

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Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue increased by 23.5% from RMB3,239.0 million in 2023 to RMB3,999.8 million in 2024, as our revenue from the sales of power generator engines, and engine components and others increased in 2024 as compared to 2023.

Sales of Power Generator Engines

Our revenue from sales of power generator engines increased by 24.2% from RMB2,457.2 million in 2023 to RMB3,052.5 million in 2024.

- *Large Engines.* Our revenue from sales of large engines increased by 61.0% from RMB853.3 million in 2023 to RMB1,374.1 million in 2024, primarily due to increases in the sales volume and average unit selling price of large engines as we focused our efforts on the development, production and sales of our self-produced high-power large engines with high performance and reliability, particularly YC16VC series, to cater to and capitalize on the growing demand of end users in the data center industry. The sales volume of large engines increased from 997 units in 2023 to 1,394 units in 2024, mainly attributable to an increase in the sales volume of our self-produced large engines, as we increased market penetration and expand our customer base. The average unit selling price of large engines increased from RMB873 thousand in 2023 to RMB986 thousand in 2024, primarily due to the increased sales of our self-produced high-power large engines with higher selling prices for the data center industry.
- *Heavy-Duty Engines.* Our revenue from sales of heavy-duty engines decreased by 8.3% from RMB943.0 million in 2023 to RMB864.4 million in 2024, primarily due to decreases in the sales volume and average unit selling price of heavy-duty engines. The sales volume of heavy-duty engines decreased from 5,023 units in 2023 to 4,756 units in 2024, primarily due to the decrease in market demand by end users in various downstream industries, such as property development and animal husbandry. The average unit selling price of heavy-duty engines decreased from RMB188 thousand in 2023 to RMB182 thousand in 2024, as we faced pricing pressure for heavy-duty engines.
- *Medium- to Light-Duty Engines.* Our revenue from sales of medium- to light-duty engines increased by 23.2% from RMB660.9 million in 2023 to RMB814.0 million in 2024, primarily due to an increase in the sales volume of medium- to light-duty engines. The sales volume of medium- to light-duty engines increased from 29,601 units in 2023 to 37,075 units in 2024, primarily due to our efforts to market and sell an increasing number of our self-produced YC6MJ series and externally sourced YC4D series power generator engines in order to gain market share in the relevant product market segment.

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Sales of Marine Propulsion and Auxiliary Engines

Our revenue from sales of marine propulsion and auxiliary engines remained stable and amounted to RMB481.2 million in 2023 and RMB477.0 million in 2024, primarily due to an increase in the average unit selling price of marine propulsion and auxiliary engines, which was partially offset by a decrease in the sales volume of marine propulsion and auxiliary engines. The average unit selling price of marine propulsion and auxiliary engines increased from RMB98 thousand in 2023 to RMB111 thousand in 2024 primarily due to our refinement of product mix and increased production and sales of marine propulsion and auxiliary engines with higher selling prices. The sales volume of marine propulsion and auxiliary engines decreased from 4,911 units 2023 to 4,282 units in 2024, primarily due to a decrease in the market demand for marine engines.

Sales of Power Generator Sets

Our revenue from sales of power generator sets decreased by 1.3% from RMB114.8 million in 2023 to RMB113.2 million in 2024. The sales volume of power generator sets increased from 170 units in 2023 to 1,448 units in 2024 primarily because we started to procure a large volume of power generator sets from OEMs in order to meet the increased demand of end users in the data center and certain other downstream industries, including the distributed power station and infrastructure construction industries. Despite the increase in sales volume in 2024, revenue from sales of power generator sets decreased as compared to 2023 because we started to procure and sell more power generator sets as an agent with revenue recognized on a net basis in 2024.

Sales of Engine Components and Others

Our revenue from sales of engine components and others increased by 92.1% from RMB185.9 million in 2023 to RMB357.1 million in 2024, primarily because (i) beginning in 2024, we transitioned from providing engine component machining services to selling finished engine components to MTU Yuchai, and (ii) the sales of our engines and power generator sets increased, resulting in the increasing demand for our engine components and components which are used for servicing and maintenance.

Cost of Sales

Our cost of sales increased by 21.9% from RMB2,513.5 million in 2023 to RMB3,063.4 million in 2024, primarily due to increases in costs of materials and components. Costs of materials and components increased by 18.4% from RMB2,196.7 million in 2023 to RMB2,601.1 million in 2024 as our total revenue increased and we started to purchase cylinder block rough castings as part of our supplies since March 2024.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we had gross profit of RMB725.5 million and RMB936.4 million in 2023 and 2024, respectively. Our overall gross profit margin increased from 22.4% in 2023 to 23.4% in 2024.

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Power Generator Engines: The gross profit margin of power generator engines increased from 22.8% in 2023 to 24.4% in 2024.

- *Large Engines:* The gross profit margin of large engines increased from 25.5% in 2023 to 30.2% in 2024, primarily due to the increased production and sales of high-power large engines, particularly the high-margin YC16VC series, for the data center industry, resulting in a higher average unit selling price of large engines.
- *Heavy-Duty Engines:* The gross profit margin of heavy-duty engines decreased from 33.4% in 2023 to 31.9% in 2024, primarily due to our strategic price adjustments in response to changes in downstream demand to maintain our market competitiveness.
- *Medium- to Light-Duty Engines:* The gross profit margin of medium- to light-duty engines increased from 4.3% in 2023 to 6.6% in 2024, primarily due to an increase in the revenue generated from self-produced medium- to light-duty engines.

Marine Propulsion and Auxiliary Engines: The gross profit margin of marine propulsion and auxiliary engines remained stable and was 25.9% in 2023 and 26.1% in 2024.

Power Generator Sets: The gross profit margin of power generator sets decreased from 6.7% in 2023 to 4.8% in 2024, primarily because a portion of the power generator sets we sold in 2024 had relatively low gross profit margin.

Engine Components and Others: The gross profit margin of our engine components and others remained stable and was 17.2% in both 2023 and 2024.

Other Income and Gains

Our other income and gains increased by 88.2% from RMB19.7 million in 2023 to RMB37.0 million in 2024, primarily due to an increase in government grants from RMB3.0 million in 2023 to RMB21.9 million in 2024 as we applied for and received more government grants and subsidies from local governments as incentives for our research and development projects and contributions to the local economy.

Research and Development Expenses

Our research and development expenses increased by 34.7% from RMB212.0 million in 2023 to RMB285.5 million in 2024, primarily due to (i) an increase in material testing and verification expenses from RMB90.2 million in 2023 to RMB176.9 million in 2024 mainly as a result of the increase in the number of R&D projects we conducted and the associated increase in our testing and prototyping costs, which was partially offset by a decrease in external service fees from RMB32.1 million in 2023 to RMB12.9 million in 2024 mainly because we conducted a larger number of new product development in 2023, which required more external R&D services.

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Selling and Distribution Expenses

Our selling and distribution expenses increased by 9.5% from RMB106.7 million in 2023 to RMB116.8 million in 2024, primarily due to (i) an increase in business development and travel expenses, and (ii) an increase in advertising and marketing expenses, which were partially offset by a decrease in the sales service fee. Business development and travel expenses increased by 68.1% from RMB20.0 million in 2023 to RMB33.6 million primarily attributable to our increased selling and marketing efforts in the overseas markets. Advertising and marketing expenses increased by 53.3% from RMB9.5 million in 2023 to RMB14.6 million in 2024, primarily attributable to increased advertising and marketing to expand our presence in overseas markets. Sales service fee decreased by 71.2% from RMB15.9 million in 2023 to RMB4.6 million in 2024, primarily attributable to a decrease in the service fees incurred for inventory modifications or upgrades.

Administrative Expenses

Our administrative expenses increased by 7.7% from RMB59.9 million in 2023 to RMB64.5 million in 2024, primarily due to an increase in professional service expenses from RMB12.4 million in 2023 to RMB16.1 million in 2024.

Other Expenses

Our other expenses increased by 73.0% from RMB1.4 million in 2023 to RMB2.3 million in 2024 primarily due to an increase in interest and fees relating to bill discounting, which was partially offset by a decrease in provisions for impairment losses on inventories.

Finance Costs

Our finance costs decreased by 32.0% from RMB11.1 million in 2023 to RMB7.5 million in 2024, primarily due to a decrease in interest on our bank loans mainly as a result of our repayment of bank loans and preferential interest rates we received on some of our bank loans under various government initiatives.

Share of Profits of a Joint Venture

Our share of profits of a joint venture increased by 14.7% from RMB75.1 million in 2023 to RMB86.1 million in 2024 as the profit of MTU Yuchai, our joint venture with Rolls-Royce, increased over the period primarily due to the growing demand of end users in the data center industry.

Income Tax Expense

Our income tax expense amounted to RMB47.0 million in 2024 as compared to RMB33.3 million in 2023.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 35.3% from RMB395.9 million in 2023 to RMB535.8 million in 2024.

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DISCUSSION OF SELECTED MAJOR ITEMS ON CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
NON-CURRENT ASSETS			
Property, plant and equipment	426,640	428,031	468,822
Intangible assets	92,834	102,481	94,524
Right-of-use assets	28,226	25	85,088
Investment in a joint venture	186,718	269,508	285,262
Deferred tax assets	20,313	10,526	32,151
Other non-current assets	9,042	33,581	41,599
Total non-current assets	763,773	844,152	1,007,446
CURRENT ASSETS			
Inventories	1,311,197	1,509,135	1,661,873
Trade and bills receivables	1,022,541	1,574,247	2,993,082
Capitalized contract cost	12,545	—	—
Contract assets	—	—	17,212
Prepayments, other receivables and other assets	111,425	141,278	90,678
Cash and cash equivalents	730,071	885,866	1,604,141
Total current assets	3,187,779	4,110,526	6,366,986

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	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
CURRENT LIABILITIES			
Trade and bills payables	1,502,908	2,229,566	3,724,227
Other payables and accruals	660,086	559,838	600,130
Interest-bearing bank borrowings	393,688	348,419	410,748
Tax payable	3,559	1,431	67,104
Lease liabilities	28,177	39	32,320
Provision	31,045	50,167	78,256
Total current liabilities	2,619,463	3,189,460	4,912,785
NET CURRENT ASSETS	568,316	921,066	1,454,201
TOTAL ASSETS LESS CURRENT LIABILITIES	1,332,089	1,765,218	2,461,647
NON-CURRENT LIABILITIES			
Lease liabilities	24	—	77,350
Deferred income	16,410	24,798	41,161
Total non-current liabilities	16,434	24,798	118,511
Net Assets	1,315,655	1,740,420	2,343,136
EQUITY			
Equity attributable to owners of the parent			
Paid-in capital	400,000	428,000	428,000
Reserves	915,655	1,312,420	1,909,424
Non-controlling interests	—	—	5,712
Total equity	1,315,655	1,740,420	2,343,136

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Property, Plant and Equipment

Our property, plant and equipment primarily consist of buildings, plant and machinery, office and other equipment and construction in progress (which is primarily related to our production facilities). The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Buildings	528	2,533	2,412
Plant and machinery	387,630	364,040	349,164
Office and other equipment	1,904	2,074	2,675
Construction in progress	36,578	59,384	114,571
Total	426,640	428,031	468,822

Our property, plant and equipment increased by 0.3% from RMB426.6 million as of December 31, 2023 to RMB428.0 million as of December 31, 2024, mainly due to additions of RMB73.1 million in construction in progress primarily related to machining centers and certain other equipment in 2024, which was partially offset by depreciation of RMB77.3 million in 2024.

Our property, plant and equipment increased by 9.5% from RMB428.0 million as of December 31, 2024 to RMB468.8 million as of September 30, 2025, mainly due to additions of RMB94.2 million in construction in progress and plant and machinery primarily related to our production facilities under construction in the nine months ended September 30, 2025, which was partially offset by depreciation of RMB54.4 million in the nine months ended September 30, 2025.

Intangible Assets

Our intangible assets primarily consist of technology know-how, software and construction in progress (which is primarily related to software in development). The following table sets forth a breakdown of our intangible assets as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Software	194	1,712	2,913
Technology know-how	91,906	99,632	91,327
Construction in progress (software)	734	1,137	284
Total	92,834	102,481	94,524

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Our intangible assets increased by 10.4% from RMB92.8 million as of December 31, 2023 to RMB102.5 million as of December 31, 2024, mainly due to additions of RMB18.0 million in technology know-how related to our YC16VC series power generator engines, partially offset by amortization of RMB10.7 million in 2024.

Our intangible assets decreased by 7.8% from RMB102.5 million as of December 31, 2024 to RMB94.5 million as of September 30, 2025, mainly due to a decrease of RMB8.7 million in technology know-how and software as a result of amortization.

Right-of-Use Assets

Our right-of-use assets consist primarily of our leases of plants and office building used in our operations. Our right-of-use assets significantly decreased from RMB28.2 million as of December 31, 2023 to RMB25,000 as of December 31, 2024, primarily due to the depreciation for lease expiration. Our right-of-use assets increased from RMB25,000 as of December 31, 2024 to RMB85.1 million as of September 30, 2025 as we entered into new leases for our plants.

Investment in a Joint Venture

Our investment in a joint venture represents our share of net assets of MTU Yuchai, our joint venture with Rolls-Royce. Our investment in a joint venture increased by 44.3% from RMB186.7 million as of December 31, 2023 to RMB269.5 million as of December 31, 2024, primarily attributable to the profit of MTU Yuchai in 2024. Our investment in a joint venture increased by 5.8% from RMB269.5 million as of December 31, 2024 to RMB285.3 million as of September 30, 2025, primarily attributable to the profit of MTU Yuchai for the nine months ended September 30, 2025.

Inventories

Our inventories primarily consist of raw materials, work in progress and finished goods. Raw materials consist primarily of components used in our production. Work in progress represents the partially finished goods that are in the production process but not yet complete. Finished goods represent our self-produced products that have been manufactured but not yet sold to customers and externally sourced finished engines and power generator sets. The following table sets forth our inventories as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Raw materials	392,780	458,201	495,351
Work in progress	9,063	11,141	16,132
Finished goods	909,354	1,039,793	1,150,390
Total	1,311,197	1,509,135	1,661,873

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Inventories are net of a write-down of RMB17.0 million and RMB16.5 million in our consolidated statement of financial position as of December 31, 2023 and 2024, respectively. Inventories are stated at the lower of cost and net realizable value. Net realizable value is based on estimated selling prices less any estimated costs to be incurred up to completion and disposal. When the net realizable value is lower than cost, we will recognize inventory provision. Our inventories increased by 15.1% from RMB1,311.2 million as of December 31, 2023 to RMB1,509.1 million as of December 31, 2024 primarily as a result of our increased sales which required increased inventory stocking. Our inventories increased by 10.1% from RMB1,509.1 million as of December 31, 2024 to RMB1,661.9 million as of September 30, 2025, primarily as a result of our increased sales which required increased inventory stocking.

The following table sets forth our inventories turnover days for the periods indicated.

	<u>Year Ended December 31,</u>		<u>Nine Months Ended</u>
	<u>2023</u>	<u>2024</u>	<u>September 30,</u>
			<u>2025</u>
Average inventory turnover days ⁽¹⁾	185	168	114

- (1) Average turnover days of inventories are equal to the average of the beginning and ending net inventory balances of a year/period divided by cost of sales for that year/period and multiplied by the number of days in that year/period.

Our inventory turnover days decreased from 185 days in 2023 to 168 days in 2024, and further decreased from 168 days in 2024 to 114 days in the nine months ended September 30, 2025, primarily due to the expanding market demand and higher order volumes, as well as our ongoing enhancements to inventory management based on order forecasts and production plans.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	<u>As of December 31,</u>		<u>As of September 30,</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Within 180 days	877,796	1,111,367	1,311,848
181 days–1 year	261,550	223,482	162,543
1–2 years	150,068	110,099	139,619
More than 2 years	<u>21,783</u>	<u>64,187</u>	<u>47,863</u>
Total	<u>1,311,197</u>	<u>1,509,135</u>	<u>1,661,873</u>

As of November 30, 2025, approximately RMB558.7 million, or 33.6% of our inventories as of September 30, 2025, had been subsequently utilized.

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Trade and Bills Receivables

Our trade and bills receivables represent primarily the amounts due from our customers in our ordinary course of business. The following table sets forth our trade and bills receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Trade receivables	294,040	636,232	2,211,632
Bills receivable	728,649	938,991	783,548
Impairment	(148)	(976)	(2,098)
Total	1,022,541	1,574,247	2,993,082

Our trade and bills receivables increased from RMB1,022.5 million as of December 31, 2023 to RMB1,574.2 million as of December 31, 2024, and further increased to RMB2,993.1 million as of September 30, 2025, which is generally in line with our increased sales.

The following table sets forth our trade and bills receivables turnover days for the periods indicated.

	Year Ended December 31,		Nine Months Ended
	2023	2024	September 30,
			2025
Trade and bills receivables turnover days ⁽¹⁾	100	119	126

(1) Average turnover days of trade and bills receivables are equal to the average of the beginning and ending trade and bills receivables balances of a year/period divided by revenue for that year/period and multiplied by the number of days in that year/period.

Our trade and bills receivables turnover days remained relatively stable and were 100 days, 119 days and 126 days in 2023, 2024 and the nine months ended September 30, 2025.

We typically grant a credit period of approximately 30 to 225 days to our customers and, with respect to invoices settled by bills, a significant portion were paid through bank acceptance bills.

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The table below sets forth the aging analysis of trade receivables, based on the invoice date and net of loss allowance, as of the dates as indicated:

	<u>As of December 31,</u>		<u>As of September 30,</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u> (unaudited)
Within 180 days	236,284	507,902	2,026,532
180 days to 1 year	50,030	98,583	134,025
1 to 2 years	7,578	28,759	48,579
2 to 3 years	—	12	386
Over 3 years	—	—	12
Total	<u>293,892</u>	<u>635,256</u>	<u>2,209,534</u>

We perform an impairment analysis at each reporting date using a provision matrix to calculate ECLs in respect of our trade receivables. The table below sets forth the movements in the loss allowance for impairment of trade receivables as of the dates indicated.

	<u>As of December 31,</u>		<u>As of September 30,</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u> (unaudited)
At beginning of year	205	148	976
Impairment losses, net	(57)	828	1,122
At end of year	<u>148</u>	<u>976</u>	<u>2,098</u>

As of November 30, 2025, approximately RMB871.3 million, or 39.4%, of our trade receivables as of September 30, 2025, had been subsequently settled.

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Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets consist primarily of prepayments to suppliers, taxes recoverable representing deductible input VAT, deposits and other receivables. The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Prepayments	44,188	24,956	12,389
Taxes recoverable	52,910	61,705	32,863
Deposits and other receivables	14,327	53,626	44,029
Others	—	991	1,397
Total	111,425	141,278	90,678

Our prepayments, other receivables and other assets increased from RMB111.4 million as of December 31, 2023 to RMB141.3 million as of December 31, 2024, primarily attributable to (i) an increase in deposits and other receivables from RMB14.3 million as of December 31, 2023 to RMB53.6 million as of December 31, 2024, mainly reflecting increased other receivables from the GYMCL Related Parties arising from R&D services we provided and from the leasing of production facilities and casting equipment to the GYMCL Related Parties, and (ii) an increase in taxes recoverable from RMB52.9 million as of December 31, 2023 to RMB61.7 million as of December 31, 2024, mainly due to our increased inventories stocking.

Our prepayments, other receivables and other assets decreased from RMB141.3 million as of December 31, 2024 to RMB90.7 million as of September 30, 2025, primarily attributable to (i) a decrease in taxes recoverable from RMB61.7 million as of December 31, 2024 to RMB32.9 million as of September 30, 2025, mainly due to the greater utilization of deductible input VAT as a result of a substantial increase in sales, and (ii) a decrease in prepayments from RMB25.0 million as of December 31, 2024 to RMB12.4 million as of September 30, 2025, mainly due to our receipt of relevant goods, and (iii) a decrease in deposits and other receivables from RMB53.6 million as of December 31, 2024 to RMB44.0 million as of September 30, 2025, mainly due to release of deposits.

As of November 30, 2025, approximately RMB37.7 million, or 41.5%, of our prepayments, taxes receivables and other assets as of September 30, 2025, had been subsequently settled.

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Cash and Cash Equivalents

Our cash and cash equivalents increased significantly from (i) RMB730.1 million as of December 31, 2023 to RMB885.9 million as of December 31, 2024 and (ii) from RMB885.9 million as of December 31, 2024 to RMB1,604.1 million as of September 30, 2025, primarily due to increases in our profit.

Trade and Bills Payables

Our trade and bills payables represent primarily the amounts due to our suppliers in our ordinary course of business. Our bills payables are mainly bank acceptance bills used by us to settle the payments due to our suppliers. The following table sets forth a breakdown of our trade and bills payables as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Trade payables	1,070,278	1,578,146	2,633,397
Bills payables	432,630	651,420	1,090,830
Total	1,502,908	2,229,566	3,724,227

Our trade and bills payables increased by 48.4% from RMB1,502.9 million as of December 31, 2023 to RMB2,229.6 million as of December 31, 2024, primarily attributable to (i) an increase in trade payables due to suppliers from RMB1,070.3 million as of December 31, 2023 to RMB1,578.1 million as of December 31, 2024 and (ii) an increase in bills payables from RMB432.6 million as of December 31, 2023 to RMB651.4 million as of December 31, 2024, primarily attributable to increased purchases of supplies generally in line with increased sales.

Our trade and bills payables increased by 67.0% from RMB2,229.6 million as of December 31, 2024 to RMB3,724.2 million as of September 30, 2025, primarily attributable to (i) an increase in trade payables due to suppliers from RMB1,578.1 million as of December 31, 2024 to RMB2,633.4 million as of September 30, 2025, and (ii) an increase in bills payables from RMB651.4 million as of December 31, 2024 to RMB1,090.8 million as of September 30, 2025, primarily attributable to increased purchases of supplies generally in line with increased sales.

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The following table sets forth our trade and bills payables turnover days for the periods indicated.

	Year Ended December 31,		Nine Months Ended
	2023	2024	September 30,
			2025
Trade and bills payables turnover days ⁽¹⁾	204	223	215

- (1) Average turnover days of trade and bills payables are equal to the average of the beginning and ending trade and bills payable balances of a year/period divided by cost of sales for that year/period and multiplied by the number of days in that year/period.

Our trade and bills payables turnover days increased from 204 days in 2023 to 223 days in 2024, primarily attributable to increased purchases of supplies. Our trade and bills payables turnover days decreased from 223 days in 2024 to 215 days in the nine months ended September 30, 2025, primarily attributable to increased purchases of power generator sets from suppliers which typically require prepayments.

The following table sets forth an aging analysis of our trade and bills payables based on the invoice date as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year	1,502,756	2,226,444	3,720,037
Over 1 year	152	3,122	4,190
Total	1,502,908	2,229,566	3,724,227

During the Track Record Period, our trade and bills payables were normally settled within one year.

As of November 30, 2025, approximately RMB1,564.1 million, or 42.0%, of our trade and bills payables as of September 30, 2025, had been subsequently settled.

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Other Payables and Accruals

Our other payables and accruals consist primarily of (i) contract liabilities, primarily including advance received by us from customers based on contracts or purchase orders, and unfulfilled service-type maintenance service for end users of our products, (ii) payroll payables primarily representing accrued compensation to be paid to our employees, (iii) payables for long-term assets primarily representing amounts payable arising from construction in progress and the acquisition of fixed assets and intangible assets, (iv) refund liabilities primarily representing customer rebates not yet refunded to customers, (v) output VAT to be transferred primarily representing output VAT that has been collected together with the customer advance and will be transferred upon recognition of revenue, and (vi) other miscellaneous payables. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	<u>As of December 31,</u>		<u>As of September 30,</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
			<u>(unaudited)</u>
Contract liabilities			
Advance from customer	289,774	203,700	230,564
Unfulfilled service-type maintenance services	10,412	17,545	15,116
Payroll payables	102,795	121,663	155,129
Payables for long-term assets	117,899	79,192	48,623
Refund liabilities	46,857	31,335	40,610
Output VAT to be transferred	37,671	26,526	21,184
Others	54,678	79,877	88,904
Total	<u>660,086</u>	<u>559,838</u>	<u>600,130</u>

Our other payables and accruals decreased from RMB660.1 million as of December 31, 2023 to RMB559.8 million as of December 31, 2024, primarily attributable to (i) a decrease in advance from customer from RMB289.8 million as of December 31, 2023 to RMB203.7 million as of December 31, 2024, primarily due to a change in customer composition resulting in a decrease in number of customers from which we require advances in relation to their purchase orders to or contracts with us, and (ii) a decrease in payables for long-term assets from RMB117.9 million as of December 31, 2023 to RMB79.2 million as of December 31, 2024, mainly due to our settlement of certain amounts, including in connection with construction in progress, which were partially offset by an increase in payroll payables from RMB102.8 million as of December 31, 2023 to RMB121.7 million as of December 31, 2024, mainly due to an overall increase in employee compensation.

Our other payables and accruals increased from RMB559.8 million as of December 31, 2024 to RMB600.1 million as of September 30, 2025, primarily attributable to (i) an increase in payroll payables from RMB121.7 million as of December 31, 2024 to RMB155.1 million as of September 30, 2025, mainly due to an overall increase in employee compensation, and (ii) an increase in advance from customer from RMB203.7 million as of December 31, 2024 to RMB230.6 million as

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of September 30, 2025, mainly due to increased purchases of power generator sets for which we typically require prepayments, which was partially offset by a decrease in payables for long-term assets from RMB79.2 million as of December 31, 2024 to RMB48.6 million as of September 30, 2025, mainly due to our further settlement of certain amounts, including in connection with construction in progress.

As of November 30, 2025, approximately RMB160.1 million, or 26.7%, of our other payables and accruals as of September 30, 2025, had been subsequently settled.

Provision

Our provision represents primarily our obligations related to the warranties for our products sold to customers. The table below sets forth the movements in our provision for warranties as of the dates indicated:

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Balance at the beginning of year	22,055	31,045	50,167
Provision made	24,570	57,278	76,738
Provision utilized	(15,580)	(38,156)	(48,649)
Balance at the end of year	31,045	50,167	78,256

Our provision increased from RMB31.0 million as of December 31, 2023 to RMB50.2 million as of December 31, 2024 and further to RMB78.3 million as of September 30, 2025, primarily due to our increased sales of products.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary capital needs have been for funding our research and development activities, construction of our production facilities, procurement of materials, components and other supplies, our sales and marketing operations and other general corporate requirements. During the Track Record Period, we financed our operations and other capital requirements primarily using cash generated from our operations and bank borrowings.

We expect to fund our future working capital and other cash requirements with cash generated from operations, bank and other borrowings, [REDACTED] from the [REDACTED] and, if necessary, funds raised from issuance of equity or debt securities.

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As of September 30, 2025, we had cash and cash equivalents of RMB1,604.1 million. Taking into account the cash and cash equivalents on hand, our operating cash flows and the estimated [REDACTED] available to us from the [REDACTED], our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

Summary of Our Consolidated Statement of Cash Flows

The following table sets forth our selected cash flow data for the periods indicated.

	<u>Year Ended December 31,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2024</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
			<u>(unaudited)</u>	<u>(unaudited)</u>
Net cash flows generated from/ (used in) operating activities	<u>398,602</u>	<u>453,382</u>	<u>(16,398)</u>	<u>845,848</u>
Net cash flows used in investing activities	<u>(38,978)</u>	<u>(98,424)</u>	<u>(63,502)</u>	<u>(18,134)</u>
Net cash flows (used in)/ generated from financing activities	<u>(24,351)</u>	<u>(200,426)</u>	<u>137,811</u>	<u>(111,632)</u>
Net increase in cash and cash equivalents	335,273	154,532	57,911	716,082
Cash and cash equivalents at beginning of year/period	394,693	730,071	730,071	885,866
Effect of foreign exchange rate changes, net	<u>105</u>	<u>1,263</u>	<u>1,198</u>	<u>2,193</u>
Cash and cash equivalents at end of year/period	<u><u>730,071</u></u>	<u><u>885,866</u></u>	<u><u>789,180</u></u>	<u><u>1,604,141</u></u>

Net Cash Flows Generated from/(Used in) Operating Activities

During the Track Record Period, we generated cash inflow from our operating activities primarily through sales of products. Cash outflow from operating activities primarily comprises the costs incurred in operation of our business.

For the nine months ended September 30, 2025, net cash flows generated from operating activities was RMB845.8 million, primarily attributable to our profit before tax of RMB878.0 million, as adjusted for non-cash and non-operating items, which mainly included the additions of (i) depreciation of property, plant and equipment of RMB54.4 million, (ii) depreciation of right-of-

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use assets of RMB24.3 million, and (iii) write-down of inventories to net realizable value of RMB27.8 million, partially offset primarily by the deduction of share of profits of a joint venture of RMB89.7 million. The amount was further adjusted by the deductions of (i) an increase in working capital in the nine months ended September 30, 2025 and (ii) income tax paid of RMB60.1 million. The increase in working capital in the nine months ended September 30, 2025 was primarily attributable to (i) an increase in trade and bills receivables and contract assets of RMB1,435.5 million and (ii) an increase in inventories of RMB180.5 million, partially offset primarily by an increase in trade and bills payables of RMB1,494.7 million.

For the year ended December 31, 2024, net cash flows generated from operating activities was RMB453.4 million, primarily attributable to our profit before tax of RMB582.8 million, as adjusted for non-cash and non-operating items, which mainly included the additions of (i) depreciation of property, plant and equipment of RMB77.3 million, (ii) depreciation of right-of-use assets of RMB30.5 million, and (iii) amortization of intangible assets of RMB10.7 million, partially offset primarily by the deduction of share of profits of a joint venture of RMB86.1 million. The amount was further adjusted by the deductions of (i) an increase in working capital in 2024 and (ii) income tax paid of RMB52.0 million. The increase in working capital in 2024 was primarily attributable to (i) an increase in trade and bills receivables of RMB552.0 million, (ii) an increase in inventories of RMB204.5 million, and (iii) a decrease in other payables and accruals of RMB125.6 million, partially offset primarily by an increase in trade and bills payables of RMB726.7 million.

For the year ended December 31, 2023, net cash flows generated from operating activities was RMB398.6 million, primarily attributable to our profit before tax of RMB429.2 million, as adjusted for non-cash and non-operating items, which mainly included the additions of (i) depreciation of property, plant and equipment of RMB85.0 million, (ii) depreciation of right-of-use assets of RMB28.8 million, and (iii) finance costs of RMB11.1 million, partially offset primarily by the deduction of share of profits of a joint venture of RMB75.1 million. The amount was further adjusted by the deductions of (i) an increase in working capital in 2023 and (ii) income tax paid of RMB65.2 million. The increase in working capital in 2023 was primarily attributable to (i) an increase in trade and bills receivables of RMB276.1 million, and (ii) an increase in inventories of RMB80.4 million, partially offset primarily by (x) an increase in trade and bills payables of RMB193.3 million and (y) an increase in other payables and accruals of RMB63.2 million.

Net Cash Flows Used in Investing Activities

During the Track Record Period, our cash used in investing activities mainly relates to payments for purchase of property, plant and equipment and purchases of intangible assets. Cash inflow from investing activities primarily comprises proceeds from disposal of items of property, plant and equipment and dividend received from a joint venture, namely, MTU Yuchai.

For the nine months ended September 30, 2025, our net cash flows used in investing activities was RMB18.1 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB91.3 million, partially offset by dividend received from a joint venture of RMB73.9 million.

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For the year ended December 31, 2024, our net cash flows used in investing activities was RMB98.4 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB96.1 million.

For the year ended December 31, 2023, net cash flows used in investing activities was RMB39.0 million, what was primarily attributable to purchases of items of property, plant and equipment of RMB40.2 million.

Net Cash Flows (Used in)/Generated from Financing Activities

During the Track Record Period, our cash inflows from financing activities primarily consist of proceeds from bank loans and capital contributions from Shareholders.. Our cash outflows used in financing activities primarily consist of repayments of bank loans, interest paid in respect of bank loans, and dividends paid.

For the nine months ended September 30, 2025, net cash flows used in financing activities was RMB111.6 million, which was primarily attributable to (i) repayment of bank loans of RMB273.2 million and (ii) dividends paid of RMB175.0 million, partially offset primarily by new bank loans of RMB335.5 million.

For the year ended December 31, 2024, net cash flows used in financing activities was RMB200.4 million, which was primarily attributable to (i) repayment of bank loans of RMB392.0 million and (ii) dividends paid of RMB200.0 million representing the dividends we paid to our then Shareholders, partially offset primarily by (x) new bank loans of RMB346.6 million and (y) capital contribution from shareholders of RMB82.9 million as a result of the subscription of certain restricted shares of our Company by Limited Partnerships Platforms as employee incentive platforms of our Company, and a shareholding platform under which partnership interest were awarded to eligible participants who are employees of GYMCL and its subsidiaries other than our Company, pursuant to the terms of such partnership agreements. See "History — Major Development and Shareholding Changes of the Company — 4. Capital increase in June 2024" in this document for further details.

For the year ended December 31, 2023, net cash flows used in financing activities was RMB24.4 million, which was primarily attributable to (i) repayment of bank loans of RMB540.0 million and (ii) principal portion of capital element of lease payment of RMB30.3 million, partially offset primarily by new bank loans of RMB556.7 million.

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Net Current Assets

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,		As of	As of
	2023	2024	September 30,	November 30,
	RMB'000	RMB'000	2025	2025
			RMB'000	RMB'000
			(unaudited)	(unaudited)
CURRENT ASSETS				
Inventories	1,311,197	1,509,135	1,661,873	1,921,703
Trade and bills receivables	1,022,541	1,574,247	2,993,082	2,822,545
Capitalized contract cost	12,545	—	—	—
Contract assets	—	—	17,212	17,212
Prepayments, other receivables and other assets	111,425	141,278	90,678	126,859
Cash and cash equivalents	730,071	885,866	1,604,141	1,270,186
Total current assets	3,187,779	4,110,526	6,366,986	6,158,505
CURRENT LIABILITIES				
Trade and bills payables	1,502,908	2,229,566	3,724,227	3,701,508
Other payables and accruals	660,086	559,838	600,130	658,534
Interest-bearing bank borrowings	393,688	348,419	410,748	336,107
Tax payable	3,559	1,431	67,104	27,827
Lease liabilities	28,177	39	32,320	55,108
Provision	31,045	50,167	78,256	77,081
Total current liabilities	2,619,463	3,189,460	4,912,785	4,856,165
NET CURRENT ASSETS	568,316	921,066	1,454,201	1,302,340

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As of December 31, 2023 and 2024, September 30, 2025 and November 30, 2025, we had net current assets of RMB568.3 million, RMB921.0 million, RMB1,454.2 million and RMB1,302.3 million, respectively.

Our net current assets decreased from RMB1,454.2 million as of September 30, 2025 to RMB1,302.3 million as of November 30, 2025, primarily attributable to a decrease by RMB208.5 million in total current assets from RMB6,367.0 million as of September 30, 2025 to RMB6,158.5 million as of November 30, 2025, and a decrease by RMB56.6 million in total current liabilities from RMB4,912.8 million as of September 30, 2025 to RMB4,856.2 million as of November 30, 2025. The decrease in total current assets was primarily attributable to (i) a decrease by RMB333.9 million in cash and cash equivalents from RMB1,604.1 million as of September 30, 2025 to RMB1,270.2 million as of November 30, 2025, primary due to payment of dividend and repayment of bank loans, and (ii) a decrease by RMB170.6 million in trade and bills receivables from RMB2,993.1 million as of September 30, 2025 to RMB2,822.5 million as of November 30, 2025. The decrease in total current liabilities was primarily attributable to a decrease by RMB74.6 million in Interest-bearing bank borrowings from RMB410.7 million as of September 30, 2025 to RMB336.1 million as of November 30, 2025.

Our net current assets increased from RMB921.1 million as of December 31, 2024 to RMB1,454.2 million as of September 30, 2025, primarily attributable to an increase by RMB2,256.5 million in total current assets from RMB4,110.5 million as of December 31, 2024 to RMB6,367.0 million as of September 30, 2025, which was partially offset by an increase by RMB1,723.3 million in total current liabilities from RMB3,189.5 million as of December 31, 2024 to RMB4,912.8 million as of September 30, 2025. The increase in total current assets was primarily attributable to (i) an increase by RMB1,418.9 million in trade and bills receivables from RMB1,574.2 million as of December 31, 2024 to RMB2,993.1 million as of September 30, 2025, (ii) an increase by RMB718.2 million in cash and cash equivalents from RMB885.9 million as of December 31, 2024 to RMB1,604.1 million as of September 30, 2025, and (iii) an increase by RMB152.8 million in inventories from RMB1,509.1 million as of December 31, 2024 to RMB1,661.9 million as of September 30, 2025. The increase in total current liabilities was primarily attributable to an increase by RMB1,494.6 million in trade and bills payables from RMB2,229.6 million as of December 31, 2024 to RMB3,724.2 million as of September 30, 2025.

Our net current assets increased from RMB568.3 million as of December 31, 2023 to RMB921.1 million as of December 31, 2024, primarily attributable to an increase by RMB922.7 million in total current assets from RMB3,187.8 million as of December 31, 2023 to RMB4,110.5 million as of December 31, 2024, which was partially offset by an increase by RMB570.0 million in total current liabilities from RMB2,619.5 million as of December 31, 2023 to RMB3,189.5 million as of December 31, 2024. The increase in total current assets was primarily attributable to (i) an increase by RMB551.7 million in trade and bills receivables from RMB1,022.5 million as of December 31, 2023 to RMB1,574.2 million as of December 31, 2024, and (ii) an increase by RMB197.9 million in inventories from RMB1,311.2 million as of December 31, 2023 to RMB1,509.1 million as of December 31, 2024. The increase in total current liabilities was primarily attributable to an increase by RMB726.7 million in trade and bills payables from RMB1,502.9 million as of December 31, 2023 to RMB2,229.6 million as of December 31, 2024.

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INDEBTEDNESS

Our indebtedness during the Track Record Period consisted of interest-bearing bank borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated.

	As of December 31,		As of	As of
	2023	2024	September 30,	November 30,
	RMB'000	RMB'000	2025	2025
			RMB'000	RMB'000
			(unaudited)	(unaudited)
Interest-bearing bank borrowings:				
Current — bank loans — unsecured	393,688	348,419	410,748	336,107
Lease liabilities:				
Current	28,177	39	32,320	55,108
Non-current	24	—	77,350	53,257
Total	421,889	348,458	520,418	444,472

Interest-bearing Bank Borrowings

Our interest-bearing bank borrowings consist primarily of loans from commercial banks in China. The following table sets forth certain details, including effective interest rates and maturity, of our interest-bearing bank borrowings as of the dates indicated.

	As of December 31,		As of	As of
	2023	2024	September 30,	November 30,
			2025	2025
			(unaudited)	(unaudited)
Current				
Bank loans — unsecured				
Effective interest rate (%)	0.40~2.60	0.30~3.00	0.30~2.20	2.15~2.20
Maturity	2024	2025	2025, 2026	2026
Amount (RMB'000)	393,688	348,419	410,748	336,107

Our interest-bearing bank borrowings amounted to RMB393.7 million, RMB348.4 million, RMB410.7 million and RMB336.1 million as of December 31, 2023 and 2024, September 30, 2025 and November 30, 2025, respectively.

Our interest-bearing bank borrowing decreased from RMB410.7 million as of September 30, 2025 to RMB336.1 million as of November 30, 2025, primarily due to repayment of bank loans.

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Our interest-bearing bank borrowing increased from RMB348.4 million as of December 31, 2024 to RMB410.7 million as of September 30, 2025, primarily due to increased bank borrowings for working capital use.

Our interest-bearing bank borrowing decreased from RMB393.7 million as of December 31, 2023 to RMB348.4 million as of December 31, 2024, primarily due to repayment of bank loans.

Historically, we typically borrowed unsecured short-term bank loans. All of our bank borrowings outstanding as of December 31, 2023 and 2024, September 30, 2025 and November 30, 2025 as disclosed in the above table were denominated in Renminbi, repayable within one year as of such relevant reporting dates and unsecured and had effective rates ranging from 0.30% to 3.00%.

As of November 30, 2025, we had no unutilized banking facilities.

Lease Liabilities

Our lease liabilities represent primarily our obligation to make lease payments arising from our leases of production facilities, offices, research space and warehouses. Our lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the term of the lease.

Our lease liabilities amounted to RMB28.2 million as of December 31, 2023, RMB39,000 as of December 31, 2024, RMB109.7 million as of September 30, 2025 and RMB108.4 million as of November 30, 2025. Our lease liabilities as of the relevant reporting dates fluctuated during the Track Record Period as prior leases for our plants expired by the end of 2024 and we entered into new leases for our plants in 2025.

Indebtedness Statement

Save as discussed above, as of November 30, 2025, being the indebtedness statement date, we did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

Our Directors confirm that (i) as of the Latest Practicable Date, there was no material restrictive covenant on our indebtedness which could significantly limit our ability to obtain future financing, and (ii) there was no default or breach of covenant on our indebtedness during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that (i) we did not experience any difficulty in obtaining bank loans, default in payment of bank loans or breach of covenants during the Track Record Period and up to the Latest Practicable Date, and (ii) there has not been any material change in our indebtedness since November 30, 2025 and up to the date of this document.

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CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period were primarily related to purchase of rights of land use, purchase of property, plant, equipment, construction in progress and intangible assets. Our capital expenditures were RMB40.8 million, RMB98.5 million and RMB72.8 million, respectively, for the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025. The following table sets forth a breakdown of our capital expenditures for the periods indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Payments of property, plant and equipment	40,181	96,149	91,272
Payments of intangible assets	581	2,307	767
Total	40,762	98,456	92,039

We funded our capital expenditures during the Track Record Period mainly by cash generated from our operating activities and bank loans. We expect to fund our future capital expenditures with cash generated from our operating activities, bank loans, [REDACTED] from equity and debt financing, and the [REDACTED] received from the [REDACTED].

CAPITAL COMMITMENTS

Our capital commitments during the Track Record Period were mainly related to purchase of property, plant and equipment and intangible assets. The following table sets forth a summary of our capital commitments of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Property, plant and equipment	37,720	79,089	77,053
Intangible assets	500	678	215
Total	38,220	79,767	77,268

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Our capital commitments amounted to RMB38.2 million, RMB79.8 million and RMB77.3 million as of December 31, 2023 and 2024 and September 30, 2025. The increase in capital commitments as of December 31, 2024 as compared to December 31, 2023 was primarily attributable to increased capital expenditures for capacity expansion and R&D equipment. The decrease in capital commitments as of September 30, 2025 as compared to December 31, 2024 was primarily attributable to the commencement of construction of production lines and development of R&D equipment.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not have any material off-balance sheet commitments arrangements.

KEY FINANCIAL RATIOS

The following table sets forth our selected financial indicators for the periods and as of the dates indicated.

	<u>Year ended/As of December 31,</u>		<u>Nine Months ended/ As of September 30,</u>
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Gross profit margin	22.4%	23.4%	23.8%
Net profit margin	12.2%	13.4%	15.4%
Current ratio ⁽¹⁾	1.2	1.3	1.3
Quick ratio ⁽²⁾	0.7	0.8	1.0
Debt-to-asset ratio ⁽³⁾	66.7%	64.9%	68.2%

Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as of the end of the year/period.
- (2) Quick ratio is calculated by dividing current assets minus inventories by current liabilities as of the end of the year/period.
- (3) Debt-to-asset ratio, expressed as a percentage, is calculated by dividing total liabilities by total assets as of the end of the year/period and then multiplied by 100%.

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RELATED PARTY TRANSACTIONS

We had the following transactions during the Track Record Period with the Related Parties, being GY Entities, the GYMCL Related Parties and MTU Yuchai:

	<u>Year Ended December 31,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2024</u>	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
			<u>(unaudited)</u>	<u>(unaudited)</u>
Sales of products				
GY Entities	707,803	538,685	421,068	204,605
GYMCL Related Parties	54,877	77,211	57,279	73,977
MTU Yuchai	<u>12,323</u>	<u>102,265</u>	<u>51,608</u>	<u>156,743</u>
Purchase of products				
GY Entities	536,424	596,891	448,449	638,858
GYMCL Related Parties	194,374	393,522	288,978	390,317
MTU Yuchai	<u>191,014</u>	<u>256,536</u>	<u>233,405</u>	<u>260,315</u>
Rendering of services				
GY Entities	590	733	459	92
GYMCL Related Parties	35,953	18,585	16,079	2,113
MTU Yuchai	<u>11,007</u>	<u>5,966</u>	<u>5,049</u>	<u>775</u>
Receipt of services				
GY Entities	24,902	27,571	3,920	15,171
GYMCL Related Parties	63,036	66,429	31,467	37,959
MTU Yuchai	<u>—</u>	<u>91</u>	<u>—</u>	<u>186</u>
Leasing as lessor with related parties				
GYMCL Related Parties	<u>50</u>	<u>15,327</u>	<u>10,370</u>	<u>13,796</u>
Leasing as lessee with related parties				
GY Entities	2,363	2,363	1,772	1,906
GYMCL Related Parties	<u>27,571</u>	<u>28,603</u>	<u>21,453</u>	<u>22,613</u>
Purchases of equipment and technology know-how				
GYMCL Related Parties	<u>96,394</u>	<u>25,795</u>	<u>24,837</u>	<u>2,877</u>

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Sales of Products

- ***GY Entities.*** During the Track Record Period, we primarily sold to GY Entities finished engines and ancillary components for them to assemble such engines into power generator sets for specific purposes to address their customers’ specific demands, as well as power generator sets in an one-off transaction.
- ***GYMCL Related Parties.*** During the Track Record Period, we primarily sold to the GYMCL Related Parties (i) finished engines, including (x) for their distribution of specific series of finished engines, modified according to GYMCL’s specifications for use on mining trucks, to their customers in such market to address their specific demand, (y) for distribution to overseas markets, and (z) in an one-off transaction for the relevant GYMCL Related Party’s own business operations, (ii) engine components to utilize their extensive nationwide warehouse network to facilitate the efficient delivery of such components to our chain of authorized service stations to provide after-sales services to our customers and other end users on a timely manner, (iii) general engine components for their production and testing of engines, primarily during inventory shortage and urgent delivery timeline and when certain accessory parts were not sold separately by other suppliers, (iv) rough castings before our transition from in-house production of rough castings to sourcing from suppliers primarily including the GYMCL Related Parties, and after such transition, remaining work-in-progress rough castings and raw materials.
- ***MTU Yuchai.*** During the Track Record Period, we primarily sold to MTU Yuchai engine components, primarily cylinder blocks and cylinder heads.

Purchase of Products

- ***GY Entities.*** During the Track Record Period, we primarily procured from GY Entities (i) finished engines, including certain heavy-duty engines with lower-rated power, medium- to light-duty engines and marine engines with lower rated power, (ii) engine components, such as connecting rods, main bearing caps and gear case covers, (iii) diesel fuel for R&D and testing of engines to leverage their existing fueling infrastructure adjacent to our production facilities, thereby saving related infrastructure and logistics costs, and (iv) scrap metal historically while we produced rough castings in-house before our transition to sourcing from suppliers.
- ***GYMCL Related Parties.*** During the Track Record Period, we primarily procured from GYMCL Related Parties (i) engine components, such as cylinder block rough castings, cylinder head rough castings, cylinder blocks for our YC6MJ series and YC6MK series engines, crankshafts, exhaust pipes and fuel injection pumps, and (ii) finished engines, including certain heavy-duty engines with lower-rated power, medium- to light-duty engines and marine engines with lower rated power.

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- **MTU Yuchai.** During the Track Record Period, we procured from MTU Yuchai *mtu* branded engines it produced for sales to our customers.

Rendering of Services

- **GY Entities.** During the Track Record Period, we primarily charged GY Entities repair service fees for repairing, replacing or otherwise remediating defects in components they supplied to us.
- **GYMCL Related Parties.** During the Track Record Period, we primarily provided to the GYMCL Related Parties R&D services (the relevant intellectual properties so developed were purchased by us as mentioned below), machining services, and engine testing services for finished engines they procured from us but do not have the relevant testing facilities. We also charged the GYMCL Related Parties repair service fees for repairing, replacing or otherwise remediating defects in components they supplied to us.
- **MTU Yuchai.** During the Track Record Period, we initially performed machining of rough castings for certain engine components, primarily cylinder blocks and cylinder heads, to MTU Yuchai. As MTU Yuchai adopted a local sourcing strategy for components, we transitioned to supplying finished engine components to MTU Yuchai directly. We also provided certain engine testing services to MTU Yuchai.

Receipt of Services

- **GY Entities.** During the Track Record Period, GY Entities primarily provided to us logistics services. We utilized their established logistics and supply chain network to transport and ship our products to our customers.
- **GYMCL Related Parties.** During the Track Record Period, the GYMCL Related Parties primarily provided to us (i) engine testing services for finished engines we procured from them but do not have the relevant testing facilities, mold development services and quality inspection services for engine components, and (ii) utilities, brand management and shared services and certain other ancillary services.

Leasing as Lessor with Related Parties

- **GYMCL Related Parties.** During the Track Record Period, we leased to the GYMCL Related Parties certain production facilities and casting equipment.

Leasing as Lessee with Related Parties

- **GY Entities.** During the Track Record Period, we leased from GY Entities a parcel of land for storage and research and development uses and certain properties used as offices.

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- ***GYMCL Related Parties.*** During the Track Record Period, we leased from the GYMCL Related Parties premises primarily comprising of factories and research space for our production and research and development uses.

Purchases of Equipment and Technology Know-How

- ***GYMCL Related Parties.*** During the Track Record Period, we primarily purchased from the GYMCL Related Parties (i) certain IT equipment, and (ii) certain intangible assets, such as intellectual properties we developed for the GYMCL Related Parties historically and software for use in our operations.

Our Directors are of the view that each of the related party transactions set out above was conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

See “Business — Transactions with the Related Parties” in this document for details.

DISCLOSURE ABOUT FINANCIAL RISKS

Our principal financial instruments during the Track Record Period comprised interest-bearing bank borrowings, and cash and bank balance. The main purpose of these financial instruments was to finance our operations. We also have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from our operations. The main risks arising from our financial instruments are credit risk and liquidity risk.

Our bank balances are held primarily with banks located in the PRC which we believe are of high credit quality. Accordingly, our credit risk is primarily attributable to trade and other receivables. During the Track Record Period, our exposure to bad debts in relation to our trade and other receivables were not significant. We generally traded only with recognized and creditworthy third parties. It is also our policy that all customers who wish to trade on credit terms are subject to our credit verification procedures. Furthermore, we monitor receivable balances on an ongoing basis. We also manage our concentrations of credit risks by customer and geographic region. As of December 31, 2023 and 2024 and September 30, 2025, we had concentration of credit risk as 46.3%, 46.5% and 39.2% of our trade receivables as of the same respective dates were due from our five largest customers. See note 37 to the Accountants’ Report included in Appendix I to this document for more details on our credit risks.

With respect to our exposure to liquidity risk, we monitor our current ratio which is calculated by comparing our current assets with our current liabilities. We regularly review our funding positions to ensure that we have adequate financial resources in meeting our financial obligations. See note 37 to the Accountants’ Report included in Appendix I to this document for more details on our liquidity risks.

FINANCIAL INFORMATION

DIVIDENDS

During the Track Record Period, we declared and paid a dividend of RMB200.0 million in the year ended December 31, 2024, and declared and paid a dividend of RMB175.0 million in September 2025. In November 2025, we declared and paid a dividend of RMB250.0 million. We currently do not have any specific dividend policy nor any pre-determined dividend payout ratio. The declaration of and payment of any dividend in the future will be determined by our Directors and subject to our Articles of Association, the PRC Company Law and other applicable laws and regulations, and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that it is required to make, as determined in accordance with its articles of association and the accounting standards and regulations in China. There is no assurance that dividends of such amount or any amount will be declared or distributed by us in any year.

DISTRIBUTABLE RESERVES

As of September 30, 2025, we had distributable reserves of RMB1,380.0 million. Subsequent to September 30, 2025, our Company (i) declared and paid a dividend of RMB250.0 million in November 2025, and (ii) transferred RMB448.1 million of retained profits to our capital reserve upon our conversion from a limited liability company into a joint stock company with limited liability in December 2025.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED], and other fees incurred in connection with the [REDACTED]. The estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), accounting for approximately [REDACTED]% of our gross [REDACTED]. The estimated total [REDACTED] expenses consist of (i) [REDACTED]-related expenses (including but not limited to [REDACTED] and fees) of approximately RMB[REDACTED] million (approximately HK\$[REDACTED]), and (ii) non-[REDACTED] related expenses of approximately RMB[REDACTED] (approximately HK\$[REDACTED]), which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB[REDACTED] (approximately HK\$[REDACTED]), and other fees and expenses of approximately RMB[REDACTED] (approximately HK\$[REDACTED]). During the Track Record Period, we did not incur any [REDACTED] expenses. We expect to incur [REDACTED] expenses of approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) which is expected to be charged in profit or loss subsequent to the Track Record Period. Approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]) of the estimated [REDACTED] expenses is directly attributable to the [REDACTED] of [REDACTED] and will be recognized as a deduction in equity directly upon the [REDACTED]. This calculation is subject to adjustments based on the actual amount incurred or to be incurred.

FINANCIAL INFORMATION

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since September 30, 2025, being the end date of our latest consolidated financial statements as set out in the Accountants’ Report included in Appendix I and the Unaudited Interim Condensed Consolidated Financial Information included in Appendix IA to this document, and up to the date of this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

See “Business — Our Strategies” in this document for a detailed description of our future plans.

[REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] (after deducting the [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED], and assuming the [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the [REDACTED] of the [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per Share and assuming the [REDACTED] is not exercised.

We intend to use the [REDACTED] that we will receive from [REDACTED] for the following purposes:

1. Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be allocated to the construction of two machining lines and two assembly and testing lines, which are intended to produce medium-speed and high-power, high-speed engines, and to the procurement of essential machinery. This investment is intended to meet the production need of our new products and to support the anticipated growth in demand for our new engine series. In addition, the new machining lines and assembly and testing lines will enable the adoption of advanced manufacturing technologies and enhance product quality, further strengthening our competitive position.

Each machining line will be equipped with cleaning machines and five-axis machining equipment, while each assembly and testing line will be outfitted with automated transfer assembly equipment, test benches and coating equipment. The two machining lines and two assembly and testing lines are expected to be completed and become operational in or before 2030.

In particular:

- a. approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used for the construction of machining lines which is intended to produce medium-speed engines for power generation and marine propulsion;
- b. approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used for the construction of assembly and testing lines which is intended to produce medium-speed engines for power generation and marine propulsion;
- c. approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used for the construction of machining lines which is intended to produce high-power, high-speed engines for power generation and marine propulsion; and

FUTURE PLANS AND [REDACTED]

- d. approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used for the construction of assembly and testing lines which is intended to produce high-power, high-speed engines for power generation and marine propulsion.

According to Frost & Sullivan, driven by the robust demand from downstream applications such as data centers, distributed power station and infrastructure, and supported by the ongoing technological upgrades, the global power generator engines market is expanding rapidly. In particular, the market grew from RMB40.1 billion in 2020 to RMB55.9 billion in 2024 in terms of revenue, representing a CAGR of 8.6%. The global power generator engines market is expected to reach RMB143.8 billion of revenue by 2030, representing a CAGR of 17.1% from 2024 to 2030.

The medium- and high-speed marine engine market is also exhibiting strong momentum. According to Frost & Sullivan, the market size increased from approximately RMB2.0 billion in 2020 to RMB4.2 billion in 2024, representing a CAGR of 20.0%, and is projected to reach RMB7.3 billion by 2030, reflecting a forecast CAGR of 9.6% from 2024 to 2030. Supported by steady global trade and deepening decarbonization policies, medium- and high-speed marine power systems are poised for a new wave of technological upgrades and product iteration.

Accordingly, by expanding our production capabilities in these segments, we aim to capture new market opportunities, leveraging the growing demand, and reinforce our market leading position within the industry;

2. approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used for the enhancement of existing product series and research and development of four new product series. According to Frost & Sullivan, the global power generator engine market is evolving and upgrading towards heavy-duty and large engine applications characterized by higher efficiency and greater intelligence, in order to meet the heightened demands for power and reliability in various scenarios. Hence, continued research and development is essential for us to further strengthen our technical capabilities and expand our product portfolio to better meet evolving market demands and the needs of our customers across different industries. Specifically:
- a. approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used for the research and development of four new product series, which engines shall have power output ranging from 2,250 kW to 7,500 kW, 1,800 kW to 5,400 kW, 1,500 kW to 3,000 kW, and 4,000 kW to 12,400 kW, respectively; and
- b. approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used for the development and further enhancement of existing product series.

These product series are designed to serve both power generation and marine propulsion applications, and are compatible with a wide range of fuel types, including traditional diesel as well as new energy sources such as natural gas, biogas, methanol and hydrogen.

FUTURE PLANS AND [REDACTED]

According to Frost & Sullivan, there is increasing adoption in new energy fueled power generator engines across multiple application scenarios including data center, distributed power stations, infrastructure construction, and medium- and high-speed marine engines, which is expected to broaden use cases and support continued market expansion. Through these investments, we aim to enhance our competitiveness in both conventional and emerging energy markets by broadening our product portfolio to meet the evolving demand for heavy-duty and large engines, drive sustainable growth, close the gap above the previous product ceiling, and deliver long-term value to our shareholders.

3. approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used for strategic investments in, or acquisitions of, business opportunities in companies or entering into joint venture with companies within our core component supply chain. This includes, but is not limited to, investing in, entering into joint venture with, or acquiring companies capable of manufacturing components such as alternators, crankshafts, and turbochargers, with the objective of further strengthening and completing our core component supply chain, generating synergies to reduce production costs, and enhancing product quality and overall competitiveness.

In evaluating potential investment, joint venture or acquisition opportunities, we will primarily consider: (i) synergy with our existing business; (ii) the target’s product portfolio; (iii) market share of such products; (iv) business scale; (v) growth potential; (vi) financial condition and valuation; and (vii) any potential tax or financial impact such investment or acquisition may have on us. As of the Latest Practicable Date, we had not identified any specific investment or acquisition targets, nor had we entered into any definitive investment or acquisition agreements.

4. approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used for working capital and general corporate purposes.

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed below or above the mid-point of the [REDACTED]. Any additional [REDACTED] received from the exercise of [REDACTED] will also be allocated to the above purposes on a pro rata basis.

In the event that the [REDACTED] is set at the maximum [REDACTED] or the minimum [REDACTED] of the [REDACTED], the [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED], respectively, assuming the [REDACTED] is not exercised. The additional [REDACTED] that we would receive if the [REDACTED] is exercised in full would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the maximum [REDACTED]), (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the [REDACTED]), and (iii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the minimum [REDACTED]).

FUTURE PLANS AND [REDACTED]

To the extent that the [REDACTED] from the [REDACTED] are not immediately used for the purposes described above or if we are unable to put into effect any part of our plan as intended, and to the extent permitted by the relevant laws and regulations, we will hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

[To insert the letterhead of the firm]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUANGXI YUCHAI MARINE AND GENSET POWER CO., LTD. AND CHINA MERCHANTS SECURITIES (HK) CO., LIMITED AND CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED

Introduction

We report on the historical financial information of Guangxi Yuchai Marine and Genset Power Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages [●] to [●], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023 and 2024 (the “**Relevant Periods**”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023 and 2024, and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “**Document**”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

APPENDIX I**ACCOUNTANTS’ REPORT**

Reporting accountants’ responsibility (continued)

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023 and 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [●] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[Date]

APPENDIX I**ACCOUNTANTS’ REPORT**

I HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	<u>Year ended 31 December</u>	
		<u>2023</u>	<u>2024</u>
		<u>RMB’000</u>	<u>RMB’000</u>
REVENUE	5	3,239,008	3,999,796
Cost of sales		<u>(2,513,481)</u>	<u>(3,063,374)</u>
Gross profit		725,527	936,422
Other income and gains	5	19,660	36,994
Research and development expenses		(211,962)	(285,472)
Selling and distribution expenses		(106,683)	(116,799)
Administrative expenses		(59,938)	(64,544)
Other expenses		(1,357)	(2,348)
Finance costs	7	(11,098)	(7,548)
Share of profits of a joint venture	16	<u>75,060</u>	<u>86,112</u>
PROFIT BEFORE TAX	6	429,209	582,817
Income tax expense	10	<u>(33,328)</u>	<u>(47,001)</u>
PROFIT FOR THE YEAR		<u>395,881</u>	<u>535,816</u>
Attributable to:			
Owners of the parent		<u>395,881</u>	<u>535,816</u>
EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	12	<u>0.49</u>	<u>0.65</u>

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	(2,310)	560
Income tax effect	426	(65)
	(1,884)	495
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(1,884)	495
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(1,884)	495
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	393,997	536,311
Attributable to:		
Owners of the parent	393,997	536,311

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December	
	Notes	2023	2024
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	426,640	428,031
Intangible assets	14	92,834	102,481
Right-of-use assets	15	28,226	25
Investment in a joint venture	16	186,718	269,508
Deferred tax assets	17	20,313	10,526
Other non-current assets	18	9,042	33,581
Total non-current assets		763,773	844,152
CURRENT ASSETS			
Inventories	19	1,311,197	1,509,135
Trade and bills receivables	20	1,022,541	1,574,247
Capitalized contract cost	21	12,545	—
Prepayments, other receivables and other assets	22	111,425	141,278
Cash and cash equivalents	23	730,071	885,866
Total current assets		3,187,779	4,110,526
CURRENT LIABILITIES			
Trade and bills payables	24	1,502,908	2,229,566
Other payables and accruals	25	660,086	559,838
Interest-bearing bank borrowings	26	393,688	348,419
Tax payable		3,559	1,431
Lease liabilities	15	28,177	39
Provision	27	31,045	50,167
Total current liabilities		2,619,463	3,189,460

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	<i>Notes</i>	<u>As at 31 December</u>	
		<u>2023</u>	<u>2024</u>
		<u>RMB’000</u>	<u>RMB’000</u>
NET CURRENT ASSETS		<u>568,316</u>	<u>921,066</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,332,089</u>	<u>1,765,218</u>
NON-CURRENT LIABILITIES			
Lease liabilities	15	24	—
Deferred income	28	<u>16,410</u>	<u>24,798</u>
Total non-current liabilities		<u>16,434</u>	<u>24,798</u>
Net Assets		<u><u>1,315,655</u></u>	<u><u>1,740,420</u></u>
EQUITY			
Equity attributable to owners of the parent			
Paid-in capital	29	400,000	428,000
Reserves	31	<u>915,655</u>	<u>1,312,420</u>
Total equity		<u><u>1,315,655</u></u>	<u><u>1,740,420</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent					
	Paid-in	Capital	Other	Statutory	Retained	Total
	capital	reserve*	reserve*	surplus	profits*	equity
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	(Note 29)	(Note 31)	(Note 31)	(Note 31)		
At 1 January 2023	400,000	269,154	(530)	24,866	228,168	921,658
Profit for the year	—	—	—	—	395,881	395,881
Other comprehensive loss for the year:						
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	(1,884)	—	—	(1,884)
Total comprehensive income for the year	—	—	(1,884)	—	395,881	393,997
Appropriation to statutory reserve	—	—	—	39,001	(39,001)	—
At 31 December 2023	<u>400,000</u>	<u>269,154</u>	<u>(2,414)</u>	<u>63,867</u>	<u>585,048</u>	<u>1,315,655</u>

Year ended 31 December 2024

	Attributable to owners of the parent						
	Paid-in	Capital	Share-based	Other	Statutory	Retained	Total
	capital	reserve*	payment	reserve*	surplus	profits*	equity
	RMB’000	RMB’000	reserve*	RMB’000	RMB’000	RMB’000	RMB’000
	(Note 29)	(Note 31)	(Note 30)	(Note 31)	(Note 31)		
At 1 January 2024	400,000	269,154	—	(2,414)	63,867	585,048	1,315,655
Profit for the year	—	—	—	—	—	535,816	535,816
Other comprehensive income for the year:							
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	495	—	—	495
Total comprehensive income for the year	—	—	—	495	—	535,816	536,311
Dividends (note 11)	—	—	—	—	—	(200,000)	(200,000)
Capital contributions	28,000	54,880	—	—	—	—	82,880
Share-based payment expenses (note 30)	—	—	5,574	—	—	—	5,574
Appropriation to statutory surplus reserve	—	—	—	—	52,705	(52,705)	—
At 31 December 2024	<u>428,000</u>	<u>324,034</u>	<u>5,574</u>	<u>(1,919)</u>	<u>116,572</u>	<u>868,159</u>	<u>1,740,420</u>

* These reserve accounts comprise the consolidated reserves of RMB915,655,000 and RMB1,312,420,000 in the consolidated statements of financial position as at 31 December 2023 and 2024, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December	
	Notes	2023	2024
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		429,209	582,817
Adjustments for:			
Finance costs	7	11,098	7,548
Share of profits of a joint venture	16	(75,060)	(86,112)
Bank interest income	5	(11,511)	(12,749)
Gain on disposal of items of property, plant and equipment	5	(818)	—
Foreign exchange difference, net	5	(105)	(1,263)
Write-down of inventories to net realisable value	6	5,934	9,882
Depreciation of property, plant and equipment	6	85,027	77,317
Amortisation of intangible assets	6	2,795	10,706
Depreciation of right-of-use assets	6	28,789	30,528
Impairment losses on property, plant and equipment	6	587	162
(Reversal of impairment losses)/impairment losses on trade and bills receivables	6	(57)	828
Share-based payment expenses	6	—	5,574
		475,888	625,238
Increase in inventories		(80,415)	(204,499)
Increase in trade and bills receivables		(276,136)	(552,039)
Decrease/(increase) in prepayments, other receivables and other assets		43,456	(17,200)
Decrease in capitalized contract cost		7,547	12,545
Increase in trade and bills payables		193,336	726,658
Increase/(decrease) in other payables and accruals		63,243	(125,585)
Increase in deferred income		16,410	8,388
Increase in provision		8,990	19,122
Cash generated from operations		452,319	492,628
Interest received		11,511	12,749
Income tax paid		(65,228)	(51,995)
Net cash flows generated from operating activities		398,602	453,382

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

		Year ended 31 December	
	Notes	2023	2024
		RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(40,181)	(96,149)
Proceeds from disposal of items of property, plant and equipment		1,784	32
Purchases of intangible assets		(581)	(2,307)
Net cash flows used in investing activities		(38,978)	(98,424)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		556,661	346,634
Repayment of bank loans		(540,000)	(392,000)
Interest paid		(10,676)	(6,974)
Capital contribution from shareholders	29	—	82,880
Dividends paid	11	—	(200,000)
Principal portion of capital element of lease payments	15(b)	(30,336)	(30,966)
Net cash flows used in financing activities		(24,351)	(200,426)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		335,273	154,532
Effect of foreign exchange rate changes, net		394,693	730,071
		105	1,263
CASH AND CASH EQUIVALENTS AT END OF YEAR		730,071	885,866
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows	23	730,071	885,866

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION (continued)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December	
	Notes	2023	2024
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	426,633	428,028
Intangible assets	14	92,834	102,481
Right-of-use assets	15	28,226	25
Investment in a subsidiary		20,000	20,000
Investment in a joint venture	16	186,214	269,209
Deferred tax assets	17	18,759	9,052
Other non-current assets	18	9,042	33,581
Total non-current assets		781,708	862,376
CURRENT ASSETS			
Inventories	19	1,298,153	1,482,198
Trade and bills receivables	20	977,322	1,507,921
Capitalized contract cost	21	12,545	—
Prepayments, other receivables and other assets	22	111,128	140,433
Cash and cash equivalents	23	712,645	873,666
Total current assets		3,111,793	4,004,218
CURRENT LIABILITIES			
Trade and bills payables	24	1,487,775	2,193,202
Other payables and accruals	25	641,003	528,556
Interest-bearing bank and other borrowings	26	382,123	348,419
Tax payable		1,530	—
Lease liabilities	15	28,177	39
Provision	27	31,045	50,167
Total current liabilities		2,571,653	3,120,383
NET CURRENT ASSETS		540,140	883,835
TOTAL ASSETS LESS CURRENT LIABILITIES		1,321,848	1,746,211

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION (continued)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (continued)

		As at 31 December	
	Notes	2023	2024
		RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	15	24	—
Deferred income	28	<u>16,410</u>	<u>24,798</u>
Total non-current liabilities		<u>16,434</u>	<u>24,798</u>
Net assets		<u>1,305,414</u>	<u>1,721,413</u>
EQUITY			
Paid-in capital	29	400,000	428,000
Reserves	31	<u>905,414</u>	<u>1,293,413</u>
Total equity		<u>1,305,414</u>	<u>1,721,413</u>

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the People’s Republic of China (“PRC”) on 10 January 2017 and was converted into a joint stock company on 31 December 2025. The registered office of the Company is located at No. 88 Tianqiao West Road, Yulin City, Guangxi Zhuang Autonomous Region, China.

The Company and its subsidiaries (collectively referred to as “the Group”) are principally engaged in the research, development, manufacturing, sales, and servicing of marine propulsion and power generation products.

The Company’s immediate parent entity is Guangxi Yuchai Machinery Co., Ltd. (“廣西玉柴機器股份有限公司” or “GYMCL”). GYMCL is controlled by China Yuchai International Co., Ltd. (“CYI”), a New York Stock Exchange listed company, through its six wholly-owned subsidiaries with a 76.4% equity interest, and Guangxi Yuchai Machinery Group Co., Ltd. (“GY”), a state-owned enterprise, also holds 22.1% of the shares of GYMCL.

The ultimate holding company of the Company is Hong Leong Asia Ltd., which is a listed company on Mainboard of the Singapore Stock Exchange.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, the particulars of the Company’s principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangxi Yuchai Deyou Engine Systems Co., Ltd. (“廣西玉柴德優發動機系統有限公司” or “Yuchai Deyou”)	PRC/Chinese mainland 22 December 2021	RMB20,000,000	100%	—	Manufacture and sale of power generations, spare parts and after-sales services
Guangxi Yuchai Marine and Genset Power Solutions Co., Ltd (“廣西玉柴船電發電設備有限公司”)*	PRC/Chinese mainland 10 July 2025	RMB50,000,000	75%	—	Manufacture and sale of power generations, spare parts and after-sales services

The English name of the above companies registered in the PRC represents the best efforts made by the directors of the Companies in directly translating the Chinese names of the companies as no English names have been registered.

* As at the date of this report, no statutory financial statements have been prepared for Yuchai Deyou for the years ended 31 December 2023 and 2024, as the subsidiary was not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of registration.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain portion of trade and bills receivables which have been measured at fair value.

The consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000), except when otherwise indicated.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same relevant periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, which have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
Annual improvements to IFRSs	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7¹</i>
Accounting Standards — Volume 11	

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of the new and amended IFRS Accounting Standards upon initial application. So far, the Group considers that these new and amended IFRS Accounting Standards, except for IFRS 18, may result in changes in accounting policies but are unlikely to have a significant impact on the Group’s financial performance and financial position in the period of initial application. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statements of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group’s financial information.

2.3 MATERIAL ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Subsidiaries (continued)

The Historical Financial Information of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. The results of subsidiaries are included in the Company’s profit or loss to the extent of dividend received and receivable. The Company’s investments in subsidiaries are stated at cost less any impairment losses.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group’s investments in joint ventures are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group’s share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group’s investments in the joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group’s investments in joint ventures.

Fair value measurement

The Group measures its certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial assets is required (other than inventories, capitalized contract cost, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

<u>Categories</u>	<u>Estimated useful lives</u>	<u>Annual rates</u>
Buildings	10–20 years	5% to 10%
Plant and machinery	1–13 years	8% to 99%
Office and other equipment	1–5 years	20% to 99%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each reporting period end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting period end.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Software

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Technology know-how

Purchased technology know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings

1 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of motor vehicles and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statements of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets designated at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

The Group’s financial liabilities include trade payables, financial liabilities included in other payables and accruals and other non-current liabilities, interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, loans and borrowings)

After initial recognition, interest-bearing loans, trade payables, and financial liabilities included in other payables and accruals and other non-current liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Provisions

General

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Product warranty

The Group recognizes a liability at the time the product is sold, for the estimated future costs relating to the assurance-type warranties, to be incurred under the warranty period, on which the Group provides free repair and replacement. Provisions for warranty are primarily determined based on historical warranty cost per unit of product sold adjusted for specific conditions that may arise and the number of products under warranty at each financial year. If the nature, frequency and average cost of warranty claims change, the accrued liability for product warranty will be adjusted accordingly.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) *Sale of products*

Revenue from sale of products, including engines, power generator sets and engine parts is recognized at the point in time when control of the products is transferred to the customer and all criteria for acceptance have been satisfied, generally on delivery of the products, or, in some cases, when the products are installed by the customers.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

In determining the transaction price for the sale of products, the Group considers the effects of variable consideration and the existence of significant financing components. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the products to the customer. The variable consideration is estimated at contract inception. Some contracts for the sale of engines provide customers with sales rebates based on the sales volume. The sales rebates give rise to variable consideration.

The Group enters into contractual arrangements to provide certain customers with sales rebates when the quantity of products purchased during the period exceeds a threshold specified in the contract, and the relevant revenue is recognized based on contract consideration net of the sales rebate. Based on contractual arrangement with the customers, the sales rebates are netted against “Trade receivables”. If the receivables had been settled by the customers, amounts in excess of “Trade receivables” will be recognized as refund liabilities in “Other payables and accruals”.

(b) Warranty obligations

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties).

The Group typically provides warranties for general repairs of defects as part of the sale of engines. These assurance-type warranties are accounted for as warranty provisions. Certain contracts provide a customer with maintenance service, i.e. a distinct service to the customer in addition to the assurance that the product complies with agreed-upon specification. These service-type warranties are bundled together with the sale of engines. These contracts comprise two performance obligations, i.e. the promises to transfer the engines and to provide the service-type warranty. The transaction price is allocated to the service-type warranty and engines using, a combination of residual and observable price approach. The portion of transaction price allocated to the service-type warranty is initially recorded as a contract liability and recognized as revenue at the point in time when the service is provided.

Principal versus agent

When another party is involved in providing power generator sets to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the power generator sets itself (i.e. the Group is a principal) or to arrange for those power generator sets to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the power generator set before the power generator sets are transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the power generator sets by another party. In this case, the Group is not the primary obligor and is not subject to inventory risk. The Group does not control the power generator sets provided by another party before the power generator sets are transferred to the customer. When the Group acts as an agent, it recognised revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified power generator sets to be provided by the other party.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Capitalized contract costs

The capitalized costs are costs which have been capitalized and directly related to the contracts, for which resources were used in satisfying the contract and are expected to be recovered.

The Group’s capitalized contract costs are costs in fulfilling a contract for the development of technology know-how for engines platforms for its immediate parent entity, and subsequently recognized in profit or loss when the Group performs the contract and the related revenue is recognized.

Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Group provided share incentives to employees. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees of the Group render services in exchange for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the share award is determined using the discounted cash flow model, further details of which are given in note 30 to the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits

Pension scheme

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. The Group are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information.

Identifying contract price and performance obligations in sales of engines and power generators sets

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

The Group provides certain warranties for both general repairs and maintenance services as part of the sales of engines and power generators sets. For general repairs, such warranties will be assurance-type warranty that is accounted for under IAS 37 *Provisions Contingent Liabilities and Contingent Assets*. For maintenance service, it is accounted for as a service-type warranty which is capable of being distinct and customers can benefit from the service on their own. Hence, the Group identify two separate performance obligations, one is the promise to transfer the products, and the other one is to provide maintenance services after reaching a certain running hour. Consequently, the Group allocates a portion of the transaction price to the products and the maintenance services based on a combination of a residual and observable price approach. Please refer to note 5 to the Historical Financial Information.

Derecognition of bills receivable

The Group sells bills receivable to banks on an ongoing basis depending on funding needs and money market conditions. The Group also endorses certain bills to suppliers for debts settlement. Chinese law governing bills allows recourse to be traced to all the parties in the discounting and endorsing process, Management assesses the credit rating of banks that issued these bills based on the credit rating given by the China regulators. For designated commercial banks with high credit rating and where Management believes that the contractual right to receive the cash from the Group has ceased, and has been transferred to the banks and suppliers, these bills are derecognized. The discount equal to the difference between the carrying value of the bill receivable and cash received from the banks is recorded in the statement of profit or loss. Please refer to note 20 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 24 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group as a whole for the purpose of making decision on resources allocation and preformation assessment.

Geographical information

(a) *Revenue from external customers*

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Geographical market		
Chinese mainland	3,118,778	3,785,372
Overseas	120,230	214,424
Total	3,239,008	3,999,796

The revenue information of continuing operations above is based on the locations of the customers.

(b) *Non-current assets*

During the Relevant Periods, all of the Group’s non-current assets were located in the Chinese mainland.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group’s revenue during the Relevant Periods is set out below:

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
GY and its subsidiaries (note 34(a))	708,393	539,418

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Revenue from contracts with customers	3,238,904	3,984,399
Rental income	104	15,397
Total	3,239,008	3,999,796

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Types of goods or services		
Power generator engines	2,457,201	3,052,467
Marine propulsion and auxiliary engines	481,183	476,999
Power generator sets:		
Sale of products	112,374	103,017
Arrangement for provision of products	2,395	10,217
Engine components	124,776	293,791
Others	60,975	47,908
Total	3,238,904	3,984,399
Geographical markets		
Chinese mainland	3,118,674	3,769,975
Overseas	120,230	214,424
Total	3,238,904	3,984,399
Timing of revenue recognition		
Transferred at the point in time	3,238,904	3,984,399

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	230,759	289,774

(ii) Performance obligations

Information about the Group’s performance obligations is summarised below:

Sales of engines and power generators sets

The performance obligation is satisfied upon delivery of the goods and acceptance by the customers. The credit term is generally 30 to 225 days.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Within one year	879	788
More than one year	9,533	16,757
Total unfulfilled service-type maintenance service	10,412	17,545

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue relate to the unfulfilled service-type maintenance service. The amounts disclosed above do not include variable consideration which is constrained.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) *Performance obligations (continued)*

An analysis of other income and gains is as follows:

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Other income		
Bank interest income	11,511	12,749
Government grants*	3,026	21,876
Others	4,200	1,106
Total other income	18,737	35,731
Gains		
Gain on disposal of property, plant and equipment	818	—
Foreign exchange gains, net	105	1,263
Total gains	923	1,263
Total other income and gains	19,660	36,994

* The government grants mainly represent incentives received from local governments for the purpose of compensation on research and development contribution, local economic contribution and purchases of items of property, plant and equipment. There are no unfulfilled conditions or contingencies relating to these grants.

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

6. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	Year ended 31 December	
		2023	2024
		RMB’000	RMB’000
Cost of inventories sold**		2,461,662	2,965,893
Cost of services provided**		21,315	30,321
Depreciation of property, plant and equipment	13	85,027	77,317
Depreciation of right-of-use assets	15	28,789	30,528
Amortisation of intangible assets	14	2,795	10,706
Research and development costs:			
Current year expenditure		211,962	285,472
Lease payments not included in the measurement of lease liabilities	15	5,867	1,852
Employee benefit expenses (including directors’ and chief executive’s remuneration)	8		
Wages, salaries and other Allowances		164,219	173,686
Pension scheme contributions		19,095	18,035
Share-based payment expenses		—	5,574
Total		183,314	197,295
Impairment of trade receivables, net*	20	(57)	828
Impairment loss on property, plant and equipment*	13	587	162
Write-down of inventories to net realisable value		5,934	9,882
Product warranty provision:			
Additional provision	27	24,570	57,278
Loss on derecognition of financial assets measured at amortised cost*		652	1,328
Loss on disposal of items of property, plant and equipment		—	32

* These amounts were included in “Other expenses” in the consolidated statements of profit or loss.

** The cost of inventories sold and cost of services provided include expenses relating to staff cost, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. FINANCE COSTS

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Interest on bank loans	10,666	7,070
Interest on lease liabilities (<i>note 15</i>)	432	478
Total	11,098	7,548

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8. DIRECTORS’ AND SUPERVISOR’S REMUNERATION

Directors’ and supervisor’s remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Fees	—	—
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	—	—
Performance related bonuses	3,720	6,420
Share-based payment expenses	—	3,003
Pension scheme contributions	—	—
Total	3,720	9,423

During the year ended 31 December 2024, restricted shares were granted to a director in respect to their services rendering to the Group, further details of which are set out in note 30 to the Historical Financial Information. The fair value of such granted restricted shares, which has been recognized in the statement of profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information is included in the above directors’ remuneration disclosures.

(a) Independent non-executive directors

There were no fees and other emoluments paid to the independent non-executive directors during the Relevant Periods.

Mr. Fan Hao, Mr. Fan Conghui and Mr. Chan Ngai Fan are appointed as independent non-executive directors of the Company and their appointment will be conditional and effective upon the [REDACTED] of the Company’s H shares on the Main Board of the Hong Kong Stock Exchange.

(b) Executive directors, non-executive directors and supervisors

Year ended 31 December 2023

	Fees	Salaries, bonuses, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive director:						
Mr. Ning Xingyong (i)	—	—	3,720	—	—	3,720
Supervisor:						
Ms. Su Minghong (ii)	—	—	—	—	—	—
Total	—	—	3,720	—	—	3,720

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8. DIRECTORS’ AND SUPERVISOR’S REMUNERATION (continued)

(b) Executive directors, non-executive directors and supervisors (continued)

Year ended 31 December 2024

	Fees	Salaries, bonuses, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive director:						
Mr. Ning Xingyong (i)	—	—	6,420	3,003	—	9,423
Supervisor:						
Ms. Su Minghong (ii)	—	—	—	—	—	—
Total	—	—	6,420	3,003	—	9,423

- (i) Mr. Ning Xingyong was appointed as an executive director of the Company since January 2021.
- (ii) Ms. Su Minghong served as a supervisor since June 2022, has been appointed a director of the Company in December 2025. She was re-designated as a non-executive director in January 2026.
- (iii) Dr. Huang Yongzhong was appointed as a director of the Company in December 2025, and was re-designated as an executive director in January 2026.
- (iv) Mr. Neo Poh Kiat was appointed as a non-executive Director of the Company in January 2026.
- (v) Mr. Chen Hai, was appointed as a director of the Company in December 2025, and was re-designated as a non-executive Director in January 2026.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2023 and 2024, include 1 and 1 director respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 4 and 4 for the years ended 31 December 2023 and 2024 highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Salaries, bonuses, allowances and benefits in kind	926	975
Performance related bonuses	2,760	3,300
Equity-settled share-based payment expenses	—	695
Pension scheme contributions	111	117
Total	3,797	5,087

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2023	2024
Nil to HK\$1,000,000	3	1
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	—	1
Total	4	4

During the Relevant Periods, restricted shares were granted to non-directors and non-chief executives highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such shares, which has been recognized in profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information is included in the above non-director and non-chief executive highest paid employees’ remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Chinese mainland

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “CIT Law”), the subsidiaries which operate in the Chinese mainland are subject to CIT at a rate of 25% on the taxable income, and the Company is subject to preferential tax as set out below.

- (a) According to tax regulations related to Western Region Development Policy, the applicable income tax rate is 15% for the Company, and such tax concession was started on 1 January 2021, will expire on 31 December 2030.
- (b) On 28 November 2024, the Company was recognized as a “High and New Technology Enterprise” (“HNTE”) and enjoyed a preferential corporate income tax rate of 15% for the year ended 31 December 2024.

Additional deduction for research and development expense

According to the announcement of the Ministry of Finance and the State Administration of Taxation on further improving the policy of pre-tax deduction of research and development expenses (No.7 in 2023), if the research and development expenses actually incurred in the research and development activities of enterprises do not form intangible assets and are included in the current profits and losses, on the basis of actual deduction according to regulations, from 1 January 2023, 100% of the actual amount incurred will be additionally deducted before tax; Intangible assets are amortized at 200% of the cost of intangible assets before tax from 1 January 2023.

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

10. INCOME TAX (continued)

Chinese mainland (continued)

Additional deduction for research and development expense (continued)

The income tax expense of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Current	33,911	37,279
Deferred (<i>Note 17</i>)	(583)	9,722
Total tax charge for the year	33,328	47,001

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Profit before tax	429,209	582,817
Tax at the statutory tax rate	64,381	87,423
Adjustment for different tax rates of certain companies	769	1,106
Adjustments in respect of current tax of previous periods	(666)	(267)
Additional deduction of research and development expenses	(20,146)	(30,260)
Expenses not deductible for tax	249	1,448
Profits attributable to a joint venture	(11,259)	(12,449)
Tax charge at the Group’s effective rate	33,328	47,001

11. DIVIDENDS

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Final dividend in respect of the previous year, declared and paid during the following year (tax inclusive)	—	200,000

During the year ended 31 December 2024, a dividend of RMB200,000,000 was declared and paid by the Company to its then shareholders.

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during the Relevant Periods.

The Company was converted into a joint stock limited liability company and issued 856,000,000 shares with the par value of RMB 1 each on 31 December 2025. The weighted average number of ordinary shares outstanding during the Relevant Period was determined assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:2 as upon transformation into a joint stock company.

The Company had no potentially dilutive ordinary shares in issue during the Relevant Periods.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Earnings		
Earnings attributable to ordinary equity holders of the parent,		
used in the basic earnings per share calculations	<u>395,881</u>	<u>535,816</u>
	Number of shares	
	Year ended 31 December	
	2023	2024
Shares		
Weighted average number of ordinary shares outstanding during the year,		
used in the basic earnings per share calculation (in thousand shares)	<u>800,000</u>	<u>828,918</u>

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Office and other equipment	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2023					
At 1 January 2023:					
Cost	87	518,548	3,719	51,405	573,759
Accumulated depreciation and impairment	—	(86,935)	(1,324)	—	(88,259)
Net carrying amount	<u>87</u>	<u>431,613</u>	<u>2,395</u>	<u>51,405</u>	<u>485,500</u>
At 1 January 2023, net of accumulated depreciation and impairment	87	431,613	2,395	51,405	485,500
Additions	486	3,944	454	22,836	27,720
Disposals	—	(688)	(278)	—	(966)
Transfers	—	37,171	492	(37,663)	—
Depreciation provided during the year (<i>note 6</i>)	(45)	(83,823)	(1,159)	—	(85,027)
Impairment provided during the year (<i>note 6</i>)	—	(587)	—	—	(587)
At 31 December 2023, net of accumulated depreciation and impairment	<u>528</u>	<u>387,630</u>	<u>1,904</u>	<u>36,578</u>	<u>426,640</u>
At 31 December 2023:					
Cost	573	558,802	3,877	36,578	599,830
Accumulated depreciation and impairment	(45)	(171,172)	(1,973)	—	(173,190)
Net carrying amount	<u>528</u>	<u>387,630</u>	<u>1,904</u>	<u>36,578</u>	<u>426,640</u>

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Buildings	Plant and machinery	Office and other equipment	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2024					
At 1 January 2024:					
Cost	573	558,802	3,877	36,578	599,830
Accumulated depreciation and impairment	(45)	(171,172)	(1,973)	—	(173,190)
Net carrying amount	<u>528</u>	<u>387,630</u>	<u>1,904</u>	<u>36,578</u>	<u>426,640</u>
At 1 January 2024, net of accumulated depreciation and impairment	528	387,630	1,904	36,578	426,640
Additions	86	5,198	493	73,125	78,902
Disposals	—	(32)	—	—	(32)
Transfers	2,021	47,796	502	(50,319)	—
Depreciation provided during the year (note 6)	(102)	(76,390)	(825)	—	(77,317)
Impairment provided during the year (note 6)	—	(162)	—	—	(162)
At 31 December 2024, net of accumulated depreciation and impairment	<u>2,533</u>	<u>364,040</u>	<u>2,074</u>	<u>59,384</u>	<u>428,031</u>
At 31 December 2024:					
Cost	2,680	611,447	4,870	59,384	678,381
Accumulated depreciation and impairment	(147)	(247,407)	(2,796)	—	(250,350)
Net carrying amount	<u>2,533</u>	<u>364,040</u>	<u>2,074</u>	<u>59,384</u>	<u>428,031</u>

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Buildings	Plant and machinery	Office and other equipment	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2023					
At 1 January 2023:					
Cost	87	518,548	3,695	51,405	573,735
Accumulated depreciation and impairment	—	(86,935)	(1,316)	—	(88,251)
Net carrying amount	<u>87</u>	<u>431,613</u>	<u>2,379</u>	<u>51,405</u>	<u>485,484</u>
At 1 January 2023, net of accumulated depreciation and impairment	87	431,613	2,379	51,405	485,484
Additions	486	3,944	454	22,836	27,720
Disposals	—	(688)	(278)	—	(966)
Transfers	—	37,171	492	(37,663)	—
Depreciation provided during the year	(45)	(83,823)	(1,150)	—	(85,018)
Impairment provided during the year	—	(587)	—	—	(587)
At 31 December 2023, net of accumulated depreciation and impairment	<u>528</u>	<u>387,630</u>	<u>1,897</u>	<u>36,578</u>	<u>426,633</u>
At 31 December 2023:					
Cost	573	558,802	3,853	36,578	599,806
Accumulated depreciation and impairment	(45)	(171,172)	(1,956)	—	(173,173)
Net carrying amount	<u>528</u>	<u>387,630</u>	<u>1,897</u>	<u>36,578</u>	<u>426,633</u>

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company (continued)

	Buildings	Plant and machinery	Office and other equipment	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2024					
At 1 January 2024:					
Cost	573	558,802	3,853	36,578	599,806
Accumulated depreciation and impairment	(45)	(171,172)	(1,956)	—	(173,173)
Net carrying amount	<u>528</u>	<u>387,630</u>	<u>1,897</u>	<u>36,578</u>	<u>426,633</u>
At 1 January 2024, net of accumulated depreciation and impairment	528	387,630	1,897	36,578	426,633
Additions	86	5,198	493	73,125	78,902
Disposals	—	(32)	—	—	(32)
Transfers	2,021	47,796	502	(50,319)	—
Depreciation provided during the year	(102)	(76,390)	(821)	—	(77,313)
Impairment provided during the year	—	(162)	—	—	(162)
At 31 December 2024, net of accumulated depreciation and impairment	<u>2,533</u>	<u>364,040</u>	<u>2,071</u>	<u>59,384</u>	<u>428,028</u>
At 31 December 2024:					
Cost	2,680	611,447	4,845	59,384	678,356
Accumulated depreciation and impairment	(147)	(247,407)	(2,774)	—	(250,328)
Net carrying amount	<u>2,533</u>	<u>364,040</u>	<u>2,071</u>	<u>59,384</u>	<u>428,028</u>

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

14. INTANGIBLE ASSETS

The Group and the Company

	Software	Technology	Construction	Total
	RMB'000	know-how	in progress	
	RMB'000	RMB'000	(software)	RMB'000
As at 31 December 2023				
At 1 January 2023				
Cost	333	—	153	486
Accumulated amortisation	(72)	—	—	(72)
Net carrying amount	261	—	153	414
At 1 January 2023, net of accumulated amortisation	261	—	153	414
Additions	—	94,634	581	95,215
Amortisation (note 6)	(67)	(2,728)	—	(2,795)
At 31 December 2023, net of accumulated amortisation	194	91,906	734	92,834
At 31 December 2023				
Cost	333	94,634	734	95,701
Accumulated amortisation	(139)	(2,728)	—	(2,867)
Net carrying amount	194	91,906	734	92,834
	Software	Technology	Construction	Total
	RMB'000	know-how	in progress	
	RMB'000	RMB'000	(software)	RMB'000
As at 31 December 2024				
At 1 January 2024				
Cost	333	94,634	734	95,701
Accumulated amortisation	(139)	(2,728)	—	(2,867)
Net carrying amount	194	91,906	734	92,834
At 1 January 2024, net of accumulated amortisation	194	91,906	734	92,834
Additions	—	18,046	2,307	20,353
Transfers	1,904	—	(1,904)	—
Amortisation (note 6)	(386)	(10,320)	—	(10,706)
At 31 December 2024, net of accumulated amortisation	1,712	99,632	1,137	102,481
At 31 December 2024				
Cost	2,237	112,680	1,137	116,054
Accumulated amortisation	(525)	(13,048)	—	(13,573)
Net carrying amount	1,712	99,632	1,137	102,481

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of office building, dormitories, plants and others used in its operations. Leases of office building and plant generally have lease terms between 1 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the right-of-use assets and the movements during the Relevant Periods are as follows:

The Group and the Company

	Plant and buildings
	RMB’000
At 1 January 2023	56,155
Additions	860
Disposal	—
Depreciation charged (<i>note 6</i>)	<u>(28,789)</u>
At 31 December 2023	<u>28,226</u>
At 1 January 2024	28,226
Additions	2,327
Disposal	—
Depreciation charged (<i>note 6</i>)	<u>(30,528)</u>
At 31 December 2024	<u>25</u>

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

The Group and the Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Carrying amount at 1 January	57,244	28,201
Addition	861	2,326
Accretion of interest recognised during the year (<i>note 7</i>)	432	478
Lease payment	(30,336)	(30,966)
Carrying amount at 31 December	<u>28,201</u>	<u>39</u>
Analyzed into:		
Current portion	28,177	39
Non-current portion	<u>24</u>	<u>—</u>

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

(c) Total amounts recognized in profit or loss in relation to leases during the Relevant Periods are as follows:

The Group and the Company

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Interest on lease liabilities (<i>note 7</i>)	432	478
Depreciation charge of right-of-use assets	28,789	30,528
Expenses relating to short-term leases and low-value leases	<u>5,867</u>	<u>1,852</u>
Total amount recognised in profit or loss	<u>35,088</u>	<u>32,858</u>

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

16. INVESTMENT IN A JOINT VENTURE

The Group

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Shares of net assets	186,718	269,508

The Group’s trade receivable balances and other balances due from or due to the joint venture are disclosed in note 34 to the Historical Financial Information.

The Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Shares of net assets	186,214	269,209

The following table illustrates the aggregate financial information of the Group’s joint venture that is not individually material:

The Group

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Share of the joint venture’s profit for the year	75,060	86,112
Share of the joint venture’s total comprehensive income	75,060	86,112
Aggregate carrying amount of the Group’s investment in the joint venture	186,718	269,508

The Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Share of the joint venture’s profit for the year	74,557	85,813
Share of the joint venture’s total comprehensive income	74,557	85,813
Aggregate carrying amount of the Company’s investment in the joint venture	186,214	269,209

The Group’s shareholdings in the joint venture are all held by the Company directly.

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

17. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

The Group

	Impairment of assets	Accrued expenses	Deferred income	Lease liabilities	Fair value adjustments arising from financial instruments	Provision	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	2,754	13,980	—	7,261	—	—	—	23,995
Deferred tax credited/(charged) to the consolidated statements of profit or loss during the year	(91)	3,888	2,462	(7,257)	—	1,562	18	582
Deferred tax credited to the consolidated statements of other comprehensive income during the year	—	—	—	—	426	—	—	426
At 31 December 2023	<u>2,663</u>	<u>17,868</u>	<u>2,462</u>	<u>4</u>	<u>426</u>	<u>1,562</u>	<u>18</u>	<u>25,003</u>
Deferred tax credited to the consolidated statements of profit or loss during the year	66	1,877	1,258	2	—	1,070	14	4,287
Deferred tax charged to the consolidated statements of other comprehensive income during the year	—	—	—	—	(65)	—	—	(65)
At 31 December 2024	<u>2,729</u>	<u>19,745</u>	<u>3,720</u>	<u>6</u>	<u>361</u>	<u>2,632</u>	<u>32</u>	<u>29,225</u>

The Company

	Impairment of assets	Accrued Expenses	Deferred income	Lease liabilities	Fair value adjustments arising from financial instruments	Provision	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	2,754	13,504	—	7,262	—	—	—	23,520
Deferred tax credited/(charged) to the consolidated statements of profit or loss during the year	(91)	2,810	2,462	(7,258)	—	1,562	18	(497)
Deferred tax credited to the consolidated statements of other comprehensive income during the year	—	—	—	—	426	—	—	426
At 31 December 2023	<u>2,663</u>	<u>16,314</u>	<u>2,462</u>	<u>4</u>	<u>426</u>	<u>1,562</u>	<u>18</u>	<u>23,449</u>
Deferred tax credited to the consolidated statements of profit or loss during the year	66	1,956	1,258	2	—	1,070	15	4,367
Deferred tax charged to the consolidated statements of other comprehensive income during the year	—	—	—	—	(65)	—	—	(65)
At 31 December 2024	<u>2,729</u>	<u>18,270</u>	<u>3,720</u>	<u>6</u>	<u>361</u>	<u>2,632</u>	<u>33</u>	<u>27,751</u>

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

17. DEFERRED TAX (continued)

Deferred tax liabilities

The Group

	Depreciation allowance in excess of related depreciation	Purchase price variance	Right-of-use assets	Total
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	—	2,407	(7,098)	(4,691)
Charged/(credited) to profit or loss during the year (<i>note 10</i>)	(3,655)	(3,432)	7,088	1
At 31 December 2023	<u>(3,655)</u>	<u>(1,025)</u>	<u>(10)</u>	<u>(4,690)</u>
Charged/(credited) to profit or loss during the year (<i>note 10</i>)	(6,647)	(7,368)	6	(14,009)
At 31 December 2024	<u>(10,302)</u>	<u>(8,393)</u>	<u>(4)</u>	<u>(18,699)</u>

The Company

	Depreciation allowance in excess of related depreciation	Purchase price variance	Right-of-use assets	Total
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	—	2,407	(7,098)	(4,691)
Charged/(credited) to profit or loss during the year	(3,655)	(3,432)	7,088	1
At 31 December 2023	<u>(3,655)</u>	<u>(1,025)</u>	<u>(10)</u>	<u>(4,690)</u>
Charged/(credited) to profit or loss during the year	(6,647)	(7,368)	6	(14,009)
At 31 December 2024	<u>(10,302)</u>	<u>(8,393)</u>	<u>(4)</u>	<u>(18,699)</u>

There was no income tax or withholding tax consequences attaching to the payment of dividends by the Company to its shareholders during the Relevant Periods.

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

17. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

The Group

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Net deferred tax assets recognised in the consolidated statement of financial position	20,313	10,526
Net deferred tax liabilities recognised in the consolidated statement of financial position	—	—

The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

The Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Net deferred tax assets recognised in the consolidated statement of financial position	18,759	9,052
Net deferred tax liabilities recognised in the consolidated statement of financial position	—	—

18. OTHER NON-CURRENT ASSETS

The Group and the Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Prepayments for acquisition of property, plant and equipment	9,042	33,581

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

19. INVENTORIES

The Group

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Raw materials	392,780	458,201
Work in progress	9,063	11,141
Finished goods	909,354	1,039,793
Total	<u>1,311,197</u>	<u>1,509,135</u>

The Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Raw materials	392,780	458,201
Work in progress	9,063	11,141
Finished goods	896,310	1,012,856
Total	<u>1,298,153</u>	<u>1,482,198</u>

The inventories are net of a write-down of approximately RMB17,020,000 and RMB16,475,000 in the consolidated statements of financial position as at 31 December 2023 and 2024, respectively.

20. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Trade receivables	294,040	636,232
Bills receivable	728,649	938,991
Impairment	<u>(148)</u>	<u>(976)</u>
Net carrying amount	<u>1,022,541</u>	<u>1,574,247</u>

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20. TRADE AND BILLS RECEIVABLES (continued)

The Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Trade receivables	275,252	629,758
Bills receivable	702,218	879,139
Impairment	(148)	(976)
Net carrying amount	977,322	1,507,921

Trade receivables mainly arise from the sales of marine engines and power generators sets. The Group periodically conducts credit evaluations of customers who trade on credit. Based on the results of the credit evaluations, the Group selects to transact with approved and creditworthy customers and monitors their receivable balances to ensure that the Company is not exposed to significant bad debt risk.

No collateral is required as the Group only deals with approved and creditworthy third parties. Credit risk concentration is managed on a customer-by-customer basis. Trade receivables are non-interest-bearing.

The Group’s bills receivables were all accepted by banks and mature within one year, which were neither past due nor impaired.

As of 31 December 2023 and 2024, bills receivable of RMB331,052,000 and RMB360,625,000, whose fair values approximate to their carrying values, were classified as financial assets at fair value through other comprehensive income, respectively, and the remaining bills receivable were measured at amortized cost.

The ageing of the trade receivables as at the end of each reporting period, based on the invoice date and net of provisions, is as follows:.

The Group

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Within 180 days	236,284	507,902
181 days to 1 year	50,030	98,583
1 to 2 years	7,578	28,759
2 to 3 years	—	12
Total	293,892	635,256

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20. TRADE AND BILLS RECEIVABLES (continued)

The Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Within 180 days	217,496	501,428
181 days to 1 year	50,030	98,583
1 to 2 years	7,578	28,759
2 to 3 years	—	12
Total	275,104	628,782

The movements in the loss allowance for impairment of trade receivables are as follows:

The Group and the Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
At beginning of year	205	148
Impairment losses, net	(57)	828
At end of year	148	976

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

The Group

As at 31 December 2023

	Aging				As at 31 December 2023
	Within 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.04%	0.04%	0.56%	—	0.05%
Gross carrying amount (RMB’000)	236,369	50,050	7,621	—	294,040
Expected credit losses (RMB’000)	85	20	43	—	148

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20. TRADE AND BILLS RECEIVABLES (continued)

The Group (continued)

As at 31 December 2024

	Aging				As at 31 December 2024
	Within 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.11%	0.11%	1.13%	25.00%	0.15%
Gross carrying amount (RMB'000)	508,439	98,688	29,089	16	636,232
Expected credit losses (RMB'000)	537	105	330	4	976

The Company

As at 31 December 2023

	Aging				As at 31 December 2023
	Within 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.04%	0.04%	0.56%	—	0.05%
Gross carrying amount (RMB'000)	217,581	50,050	7,621	—	275,252
Expected credit losses (RMB'000)	85	20	—	148	

As at 31 December 2024

	Aging				As at 31 December 2024
	Within 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.11%	0.11%	1.13%	25.00%	0.15%
Gross carrying amount (RMB'000)	501,965	98,688	29,089	16	629,758
Expected credit losses (RMB'000)	537	105	4	976	

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

21. CAPITALIZED CONTRACT COST

The Group and the Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Capitalized contract costs relating to the projects on development of technology know-how		
At January 1	20,092	12,545
Addition	12,945	156
Charged to profit or loss	(20,492)	(12,701)
At December 31	12,545	—

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Prepayments	44,188	24,956
Taxes recoverable	52,910	61,705
Deposits and other receivables	14,327	53,626
Others	—	991
Total	111,425	141,278

The Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Prepayments	44,188	24,956
Taxes recoverable	52,613	60,860
Deposits and other receivables	14,327	53,626
Others	—	991
Total	111,128	140,433

The balances are interest-free and are not secured with collateral.

The financial assets included in the above balances relate to receivables were categorized in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for these financial assets is minimal.

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Cash and bank balance	730,071	885,866
Denominated in:		
RMB	707,625	875,260
USD	18,102	6,925
EUR	4,344	3,681

The Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Cash and bank balance	712,645	873,666
Denominated in:		
RMB	690,199	863,060
USD	18,102	6,925
EUR	4,344	3,681

The RMB is not freely convertible into other currencies, however, under the Chinese mainland’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. TRADE AND BILLS PAYABLES

The Group

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Trade payables	1,070,278	1,578,146
Bills payables	432,630	651,420
Total	1,502,908	2,229,566

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

24. TRADE AND BILLS PAYABLES (continued)

The Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Trade payables	1,055,145	1,541,782
Bills payables	432,630	651,420
Total	1,487,775	2,193,202

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

The Group

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Within 1 year	1,502,756	2,226,444
Over 1 year	152	3,122
Total	1,502,908	2,229,566

The Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Within 1 year	1,487,623	2,190,080
Over 1 year	152	3,122
Total	1,487,775	2,193,202

The trade and bills payables are non-interest-bearing and normally settled within one year.

As at 31 December 2023 and 2024, the carrying amounts of trade and bills payables approximated to their fair values.

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

25. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Contract liabilities:		
—Advance from customer	289,774	203,700
—Unfulfilled service-type maintenance services	10,412	17,545
Payables for long-term assets	117,899	79,192
Payroll payables	102,795	121,663
Refund liabilities	46,857	31,335
Output VAT to be transferred	37,671	26,526
Others	54,678	79,877
Total	660,086	559,838

The Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Contract liabilities:		
—Advance from customer	278,416	181,262
—Unfulfilled service-type maintenance services	10,412	17,545
Payables for long-term assets	117,899	79,192
Payroll payables	102,795	121,663
Refund liabilities	41,183	25,493
Output VAT to be transferred	36,194	23,609
Others	54,104	79,792
Total	641,003	528,556

Contract liabilities include short-term advances received to deliver products and unfulfilled service-type maintenance service. The decrease in contract liabilities in 2023 and 2024 was mainly due to the decrease in short-term advances received from customers in relation to deliver products at the end of the year.

Other payables are unsecured, non-interest-bearing and repayable on demand.

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26. INTEREST-BEARING BANK BORROWINGS

The Group

	As at 31 December 2023			As at 31 December 2024		
	Effective interest rate (%)	Maturity	RMB’000	Effective interest rate (%)	Maturity	RMB’000
Current						
Bank loans — unsecured	0.40~2.60	2024	<u>393,688</u>	0.30~3.00	2025	<u>348,419</u>

The Company

	As at 31 December 2023			As at 31 December 2024		
	Effective interest rate (%)	Maturity	RMB’000	Effective interest rate (%)	Maturity	RMB’000
Current						
Bank loans — unsecured	0.40~2.60	2024	<u>382,123</u>	0.30~3.00	2025	<u>348,419</u>

All interest-bearing loans of the Group are denominated in RMB and repayable within one year.

27. PROVISION

The Group and the Company

	Provision for warranties RMB’000
At 1 January 2023	22,055
Provision made	24,570
Provision utilized	<u>(15,580)</u>
At 31 December 2023 and 1 January 2024	31,045
Provision made	57,278
Provision utilized	<u>(38,156)</u>
At 31 December 2024	<u>50,167</u>

28. DEFERRED INCOME

The Group and the Company

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Deferred government grant	<u>16,410</u>	<u>24,798</u>

Deferred income represented amounts received from the local governments to support the Group’s research and development activities with certain conditions to fulfil, which will be recognised in profit or loss upon the fulfilment of the conditions.

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

29. PAID-IN CAPITAL

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Issued and fully paid up:		
Paid-in capital	400,000	428,000

A summary of movements in the Company’s paid-in capital is as follows:

	Paid-in capital RMB’000
At 1 January 2023, 31 December 2023 and 1 January 2024	400,000
Capital contributions	28,000
At 31 December 2024	428,000

On 26 June 2024, the Company received capital contributions of RMB82,880,000 from certain shareholders of the Company as a result of the share incentive scheme as further detailed in note 30 to the Historical Financial Information, of which RMB28,000,000 and RMB54,880,000 was recognized as increase to paid-in capital and capital reserve, respectively.

30. SHARE-BASED PAYMENT

For the purpose of awarding the employees and directors of the Company and its parent entity, GYMCL, to secure their services and incentivize their maximum effort towards the Company’s and GYMCL’s success, the Company set up three limited partnerships in the PRC as shareholding platforms.

On 26 June 2024, 28,000,000 restricted shares of the Company with par value of RMB1.00 per share and subscription price of RMB2.96 per share were granted to certain eligible participants and issued to the shareholding platforms, the unit of which were held by the grantees.

The Group determined the fair value of restricted shares by using a discounted cash flow model. The fair value of granted shares was RMB4.70 per share.

These restricted shares granted to grantees shall be unlocked on the earlier of: (i) 3 years after the completion of initial [REDACTED] of the Company’s shares; or (ii) ten years from the grant date provided the Company is not in the process of [REDACTED] review by the end of such ten-year period.

The following restricted shares were outstanding during the Relevant Periods:

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Outstanding at 1 January	—	—
Granted	—	28,000
Outstanding at 31 December	—	28,000

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

30. SHARE-BASED PAYMENT (continued)

Share-based payment expenses during the Relevant Periods is as follows:

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Share-based payment expenses	—	5,574

31. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Capital reserve

The capital reserve of the Group represents the difference between the increase in paid-in capital and the capital contribution received from shareholders.

(b) Other reserve

Other reserve represents the fair value change of financial assets at fair value through other comprehensive income.

(c) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital, provided that the balance after such conversion is not less than 25% of the registered capital of the respective entities. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

A summary of the Company’s reserves is as follows:

Year ended 31 December 2023

	Capital reserve	Other reserve	Statutory surplus reserve	Retained profits	Total equity
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	269,154	(530)	24,866	223,794	517,284
Profit and total comprehensive income for the year	—	(1,884)	—	390,014	388,130
Appropriation to statutory reserve	—	—	39,001	(39,001)	—
At 31 December 2023	269,154	(2,414)	63,867	574,807	905,414

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. RESERVES (continued)

The Group (continued)

(c) Statutory surplus reserve (continued)

Year ended 31 December 2024

	Capital reserve	Share-based payment reserve	Other reserve	Statutory surplus reserve	Retained profits	Total equity
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2024	269,154	—	(2,414)	63,867	574,807	905,414
Profit and total comprehensive income for the year	—	—	495	—	527,050	527,545
Dividends	—	—	—	—	(200,000)	(200,000)
Capital contributions	54,880	—	—	—	—	54,880
Share-based payment expenses	—	5,574	—	—	—	5,574
Appropriation to statutory surplus reserve	—	—	—	52,705	(52,705)	—
At 31 December 2024	<u>324,034</u>	<u>5,574</u>	<u>(1,919)</u>	<u>116,572</u>	<u>849,152</u>	<u>1,293,413</u>

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Lease liabilities	Interest- bearing loans	Total
	RMB’000	RMB’000	RMB’000
At 1 January 2023	57,244	376,904	434,148
Changes from financing cash flows	(30,336)	6,108	(24,228)
New leases	861	—	861
Interest expenses	<u>432</u>	<u>10,676</u>	<u>11,108</u>
At 31 December 2023 and 1 January 2024	28,201	393,688	421,889
Changes from financing cash flows	(30,966)	(52,243)	(83,209)
New leases	2,326	—	2,326
Interest expenses	<u>478</u>	<u>6,974</u>	<u>7,452</u>
At 31 December 2024	<u>39</u>	<u>348,419</u>	<u>348,458</u>

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Within operating activities	(5,867)	(1,852)
Within financing activities	<u>(30,336)</u>	<u>(30,966)</u>
Total	<u>(36,203)</u>	<u>(32,818)</u>

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

33. COMMITMENTS

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Contracted, but not provided for:		
Property, Plant and Equipment	37,720	79,089
Intangible assets	500	678
Total	38,220	79,767

34. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Sales of products		
— the joint venture	12,323	102,265
— GYMCL and its subsidiaries and joint ventures, excluding the Group and its joint venture (“GYMCL related parties”)	54,877	77,211
— GY and its subsidiaries	707,803	538,685
Purchase of products		
— the joint venture	191,014	256,536
— GYMCL related parties	194,374	393,522
— GY and its subsidiaries	536,424	596,891
Rendering of services		
— the joint venture	11,007	5,966
— GYMCL related parties	35,953	18,585
— GY and its subsidiaries	590	733
Receipt of services		
— the joint venture	—	91
— GYMCL related parties	63,036	66,429
— GY and its subsidiaries	24,902	27,571
Leasing as lessor with related parties		
— GYMCL related parties	50	15,327
Leasing as lessee with related parties		
— GYMCL related parties	27,571	28,603
— GY and its subsidiaries	2,363	2,363
Purchases of equipment and technology know-how		
— GYMCL related parties	96,394	25,795

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

34. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Trade and bills receivables		
— the joint venture	5,998	59,861
— GYMCL related parties	22,187	22,538
— GY and its subsidiaries	<u>190,065</u>	<u>117,761</u>
Prepayments, deposits and other receivables		
— the joint venture	1,971	—
— GYMCL related parties	28,263	40,664
— GY and its subsidiaries	<u>200</u>	<u>—</u>
Trade and bills payables		
— the joint venture	15,134	36,431
— GYMCL related parties	130,844	257,844
— GY and its subsidiaries	<u>258,942</u>	<u>307,957</u>
Other payables and accruals		
— GYMCL related parties	112,862	94,451
— GY and its subsidiaries	<u>18,942</u>	<u>327</u>

(c) Compensation of key management personnel of the Group

	Year ended 31 December	
	2023	2024
	RMB’000	RMB’000
Short term employee benefits	5,716	8,943
Post-employment benefits	37	39
Share-based payment	<u>—</u>	<u>3,342</u>
Total compensation paid to key management personnel	<u><u>5,753</u></u>	<u><u>12,324</u></u>

Further details of directors’ and the supervisor’s emoluments are included in note 8 to the financial statements.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2023

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB’000	RMB’000	RMB’000
Cash and cash equivalents	—	730,071	730,071
Trade and bills receivables	331,052	691,489	1,022,541
Financial assets included in prepayments, other receivables and other assets	—	14,327	14,327
Total	331,052	1,435,887	1,766,939

Financial liabilities

	Financial liabilities at amortised cost
	RMB’000
Interest-bearing bank borrowings	393,688
Trade and bills payables	1,502,908
Financial liabilities included in other payables and accruals	136,047
Lease liabilities	28,201
Total	2,060,844

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2024

Financial assets

	Financial assets at fair value through other comprehensive income RMB’000	Financial assets at amortised cost RMB’000	Total RMB’000
Cash and cash equivalents	—	885,866	885,866
Trade and bills receivables	360,625	1,213,622	1,574,247
Financial assets included in prepayments, other receivables and other assets	—	53,626	53,626
Total	<u>360,625</u>	<u>2,153,114</u>	<u>2,513,739</u>

Financial liabilities

	Financial liabilities at amortised cost RMB’000
Interest-bearing bank borrowings	348,419
Trade and bills payables	2,229,566
Financial liabilities included in other payables and accruals	126,361
Lease liabilities	<u>39</u>
Total	<u>2,704,385</u>

Transfers of financial assets

Transferred financial assets that are not derecognised in their entirety

As at 31 December 2023 and 2024, the Group endorsed certain bills receivables accepted by banks in the Chinese mainland (the “Endorsed Bills”) with a carrying amount of RMB370,030,000 and RMB506,861,000 to certain of its suppliers, respectively, in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills to which the suppliers have recourse was RMB370,030,000 and RMB506,861,000, as at 31 December 2023 and 2024, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Transfers of financial assets (continued)

Transferred financial assets that are not derecognised in their entirety (continued)

As at 31 December 2023 and 2024, the Group discounted certain bills receivables accepted by banks in the Chinese mainland (the “Discounted Bills”) with carrying amounts of RMB1,559,000 and Nil, respectively (the “Discounting”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognize the full carrying amounts of the Discounted Bills and the associated bank borrowings. Subsequent to the Discounting, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate amounts of the Discounted Bills to which the banks have recourse were RMB1,559,000 and Nil as at 31 December 2023 and 2024, respectively.

Transferred financial assets that are derecognised in their entirety

As at 31 December 2023 and 2024, the Group endorsed certain bills receivables accepted by banks in the Chinese mainland (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of RMB106,462,000 and RMB113,370,000, respectively, and discounted certain bills receivables accepted by banks in the Chinese mainland (the “Derecognised Bills”) with a carrying amount in aggregate of RMB17,044,000 and RMB226,618,000, respectively. The Derecognised Bills had a maturity of one to twelve months at the end of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2023 and 2024, the Group has recognized losses of RMB652,000 and RMB1,328,000, respectively, on the date of transfer of the Derecognized Bills.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, interest-bearing bank and other borrowings, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total RMB’000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	
Bills receivables	—	331,052	—	331,052

As at 31 December 2024

	Fair value measurement using			Total RMB’000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	
Bills receivables	—	360,625	—	360,625

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank borrowings and cash and bank balance. The main purpose of these financial liabilities is to finance the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2023 and 2024.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	—	—	—	294,040	294,040
Bills receivables	—	—	—	728,649	728,649
Financial assets included in prepayments, other receivables and other assets					
— Normal**	14,327	—	—	—	14,327
Cash and cash equivalents					
— Not yet past due	730,071	—	—	—	730,071
Total	744,398	—	—	1,022,689	1,767,087

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	—	—	—	636,232	636,232
Bills receivables	—	—	—	938,991	938,991
Financial assets included in prepayments, other receivables and other assets					
— Normal**	53,626	—	—	—	53,626
Cash and cash equivalents					
— Not yet past due	885,866	—	—	—	885,866
Total	939,492	—	—	1,575,223	2,514,715

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 20 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

Concentrations of credit risk are managed by customer and geographical region. As at 31 December 2023 and 2024, the Group had concentrations of credit risk as 46% and 47% of the Group’s trade receivables were due from the Group’s five largest customers.

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Group’s objective is to maintain continuity of funding and flexibility through the use of internally generated cash flows from operation and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2023

	Within one year or on demand	Over 1 year	Total
	RMB’000	RMB’000	RMB’000
Trade and bills payables	1,502,908	—	1,502,908
Financial liabilities included in other payables and accruals	136,047	—	136,047
Lease liabilities	28,630	41	28,671
Interest-bearing loans	395,368	—	395,368
Total	<u>2,062,953</u>	<u>41</u>	<u>2,062,994</u>

As at 31 December 2024

	Within one year or on demand
	RMB’000
Trade and bills payables	2,229,566
Financial liabilities included in other payables and accruals	126,361
Lease liabilities	41
Interest-bearing bank borrowings	<u>350,143</u>
Total	<u>2,706,111</u>

APPENDIX I

ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using the debt/asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December	
	2023	2024
	RMB’000	RMB’000
Total assets	3,951,552	4,954,678
Total liabilities	<u>2,635,897</u>	<u>3,214,258</u>
Asset-liability ratio	<u>66.71%</u>	<u>64.87%</u>

38. EVENTS AFTER THE RELEVANT PERIODS

In September 2025, the Company’s shareholders approved the payment of a dividend of RMB175,000,000 to its then shareholders, which was paid by the Company in September 2025.

In November 2025, the Company’s shareholders approved the payment of a dividend of RMB250,000,000 to its then shareholders, which was paid by the Company in November 2025.

On 24 December 2025, the Company’s shareholders passed resolutions approving, among other things, (i) the conversion of the Company from a limited liability company into a joint stock company with its Chinese name changed from “廣西玉柴船電動力有限公司” to “廣西玉柴船電動力股份有限公司”, and (ii) the conversion of the Company’s audited net asset value after distribution of profits in an amount of RMB1,322,373,046.74 as of 31 January 2025 into 856,000,000 shares with a nominal value of RMB1.00 each at a ratio of 1:0.6473, which were issued to the then shareholders in proportion to their respective equity interests in the Company’s registered capital, and the crediting of the remaining net assets value of RMB466,373,046.74 as the Company’s capital reserve. The conversion was completed on 31 December 2025.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2024.

APPENDIX IA**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

The following is the text of a report set out on pages [●] to [●], received from the Company’s reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. The information set out below is the unaudited interim condensed consolidated financial information of the Group for the nine months ended 30 September 2025 and does not form part of the Accountant’s Report from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I to this document, and is included herein for information purpose only.

**REVIEW REPORT ON UNAUDITED INTERIM FINANCIAL INFORMATION TO THE
DIRECTORS OF GUANGXI YUCHAI MARINE AND GENSET POWER CO., LTD.**

(Incorporated in the People’s Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages [●] to [●], which comprises the condensed consolidated statement of financial position of Guangxi Yuchai Marine and Genset Power Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2025 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the nine-month period then ended, and explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standard Board. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

APPENDIX IA **UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

[●]

Certified Public Accountants

Hong Kong

[Date]

APPENDIX IA **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

I. INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Nine months ended 30 September	
	Notes	2025	2024
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
REVENUE	4	4,967,199	2,967,871
Cost of sales		<u>(3,784,608)</u>	<u>(2,282,098)</u>
Gross profit		1,182,591	685,773
Other income and gains	4	56,325	21,678
Research and development expenses		(265,662)	(179,817)
Selling and distribution expenses		(111,399)	(80,875)
Administrative expenses		(63,605)	(33,517)
Other expenses		(2,551)	(1,367)
Finance costs		(7,371)	(5,675)
Share of profits of a joint venture	13	<u>89,651</u>	<u>66,701</u>
PROFIT BEFORE TAX	5	877,979	472,901
Income tax expense	7	<u>(116,011)</u>	<u>(44,295)</u>
PROFIT FOR THE PERIOD		<u>761,968</u>	<u>428,606</u>
Attributable to:			
Owners of the parent		762,506	428,606
Non-controlling interests		<u>(538)</u>	<u>—</u>
		<u>761,968</u>	<u>428,606</u>
EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	9	<u>0.89</u>	<u>0.52</u>

APPENDIX IA **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

I. INTERIM FINANCIAL INFORMATION (continued)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Nine months ended 30 September	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Notes</i>		
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	1,689	2,053
Income tax effect	(253)	(308)
	1,436	1,745
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	1,436	1,745
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	1,436	1,745
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	763,404	430,351
Attributable to:		
Owners of the parent	763,942	430,351
Non-controlling interests	(538)	—
	763,404	430,351

APPENDIX IA **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

I. INTERIM FINANCIAL INFORMATION (continued)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	30 September 2025	31 December 2024
		RMB'000	RMB'000
		(Unaudited)	
NON-CURRENT ASSETS			
Property, plant and equipment	10	468,822	428,031
Intangible assets	11	94,524	102,481
Right-of-use assets	12	85,088	25
Investment in a joint venture	13	285,262	269,508
Deferred tax assets		32,151	10,526
Other non-current assets	14	<u>41,599</u>	<u>33,581</u>
Total non-current assets		<u>1,007,446</u>	<u>844,152</u>
CURRENT ASSETS			
Inventories	15	1,661,873	1,509,135
Trade and bills receivables	16	2,993,082	1,574,247
Contract assets		17,212	—
Prepayments, other receivables and other assets	17	90,678	141,278
Cash and cash equivalents	18	<u>1,604,141</u>	<u>885,866</u>
Total current assets		<u>6,366,986</u>	<u>4,110,526</u>
CURRENT LIABILITIES			
Trade and bills payables	19	3,724,227	2,229,566
Other payables and accruals	20	600,130	559,838
Interest-bearing bank borrowings	21	410,748	348,419
Tax payable		67,104	1,431
Lease liabilities	12	32,320	39
Provision	22	<u>78,256</u>	<u>50,167</u>
Total current liabilities		<u>4,912,785</u>	<u>3,189,460</u>

APPENDIX IA **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

I. INTERIM FINANCIAL INFORMATION (continued)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(continued)

	<i>Notes</i>	30 September 2025	31 December 2024
		RMB'000	RMB'000
		(Unaudited)	
NET CURRENT ASSETS		<u>1,454,201</u>	<u>921,066</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,461,647</u>	<u>1,765,218</u>
NON-CURRENT LIABILITIES			
Lease liabilities	12	77,350	—
Deferred income		<u>41,161</u>	<u>24,798</u>
Total non-current liabilities		<u>118,511</u>	<u>24,798</u>
Net Assets		<u><u>2,343,136</u></u>	<u><u>1,740,420</u></u>
EQUITY			
Equity attributable to owners of the parent			
Paid-in capital	23	428,000	428,000
Reserves		<u>1,909,424</u>	<u>1,312,420</u>
		2,337,424	1,740,420
Non-controlling interests		<u>5,712</u>	<u>—</u>
Total equity		<u><u>2,343,136</u></u>	<u><u>1,740,420</u></u>

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

I. INTERIM FINANCIAL INFORMATION (continued)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Nine months ended 30 September 2025 (unaudited)

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Paid-in capital	Capital reserve*	Share-based payment reserve*	Other reserve*	Statutory surplus reserve*	Retained profits*	Total	
	RMB'000 (Note 23)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	428,000	324,034	5,574	(1,919)	116,572	868,159	1,740,420	—
Profit for the period (unaudited)	—	—	—	—	—	762,506	762,506	(538)
Other comprehensive income for the period: (unaudited)								
Change in fair value of financial assets at fair value through other comprehensive income, net of tax (unaudited)	—	—	—	1,436	—	—	1,436	—
Total comprehensive income for the period (unaudited)	—	—	—	1,436	—	762,506	763,942	(538)
Dividends (Note 8) (unaudited)	—	—	—	—	—	(175,000)	(175,000)	—
Capital contribution from the non-controlling shareholder (unaudited)	—	—	—	—	—	—	—	6,250
Share-based payment expenses (unaudited)	—	—	8,062	—	—	—	8,062	—
Appropriation to statutory reserve (unaudited)	—	—	—	—	75,667	(75,667)	—	—
At 30 September 2025 (unaudited)	428,000	324,034	13,636	(483)	192,239	1,379,998	2,337,424	5,712

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

I. INTERIM FINANCIAL INFORMATION (continued)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Nine months ended 30 September 2024

	Attributable to owners of the parent						Total equity
	Paid-in capital	Capital reserve*	Share-based payment reserve*	Other reserve*	Statutory surplus reserve*	Retained profits*	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 23)						
At 1 January 2024	400,000	269,154	—	(2,414)	63,867	585,048	1,315,655
Profit for the period (unaudited)	—	—	—	—	—	428,606	428,606
Other comprehensive income for the period: (unaudited)							
Change in fair value of financial assets at fair value through other comprehensive income, net of tax (unaudited)	—	—	—	1,745	—	—	1,745
Total comprehensive income for the period (unaudited)	—	—	—	1,745	—	428,606	430,351
Capital contributions (unaudited)	28,000	54,880	—	—	—	—	82,880
Share-based payment expenses (unaudited)	—	—	2,860	—	—	—	2,860
Appropriation to statutory surplus reserve (unaudited)	—	—	—	—	33,787	(33,787)	—
At 30 September 2024 (unaudited)	<u>428,000</u>	<u>324,034</u>	<u>2,860</u>	<u>(669)</u>	<u>97,654</u>	<u>979,867</u>	<u>1,831,746</u>

* These reserve accounts comprise the consolidated reserves of RMB1,909,424,000 and RMB1,403,746,000 in the interim condensed consolidated statements of financial position as at 30 September 2025 and 2024, respectively.

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

I. INTERIM FINANCIAL INFORMATION (continued)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		Nine months ended	
		30 September	
	Notes	2025	2024
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		877,979	472,901
Adjustments for:			
Finance costs		7,371	5,675
Share of profits of a joint venture		(89,651)	(66,701)
Bank interest income	4	(12,303)	(9,656)
Foreign exchange difference, net	4	(2,193)	(1,198)
Write-down of inventories to net realisable value	5	27,798	9,758
Depreciation of property, plant and equipment	5	54,351	57,970
Amortisation of intangible assets	5	8,724	7,730
Depreciation of right-of-use assets	5	24,340	22,896
Impairment losses on property, plant and equipment	5	219	—
Impairment losses on trade and bills receivables	5	1,122	468
Share-based payment expenses	5	8,062	2,860
		905,819	502,703
Increase in inventories		(180,539)	(132,330)
Increase in trade and bills receivables and contract assets		(1,435,481)	(499,086)
Decrease in prepayments, other receivables and other assets		38,496	19,166
Decrease in capitalized contract cost		—	12,545
Increase in trade and bills payables		1,494,661	382,636
Increase/(decrease) in other payables and accruals		26,249	(289,595)
Increase/(decrease) in deferred income		16,363	(1,101)
Increase in provision		28,089	15,654
Cash generated from operations		893,657	10,592
Interest received		12,303	9,656
Income tax paid		(60,112)	(36,646)
Net cash flows generated from/(used in) operating activities		845,848	(16,398)

APPENDIX IA **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

I. INTERIM FINANCIAL INFORMATION (continued)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Nine months ended 30 September	
Notes	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(91,272)	(62,243)
Proceeds from disposal of items of property, plant and equipment	6	32
Purchases of intangible assets	(767)	(1,291)
Dividend received from a joint venture	73,899	—
	<u>(18,134)</u>	<u>(63,502)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	335,549	271,635
Repayment of bank loans	(273,200)	(210,000)
Interest paid	(5,192)	(5,124)
Capital contribution from shareholders	—	82,880
Capital contributions from non-controlling shareholders	6,250	—
Dividends paid	(175,000)	—
Principal portion of capital element of lease payments	(39)	(1,580)
	<u>(111,632)</u>	<u>137,811</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	716,082	57,911
Cash and cash equivalents at beginning of period	885,866	730,071
Effect of foreign exchange rate changes, net	2,193	1,198
	<u>1,604,141</u>	<u>789,180</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,604,141</u>	<u>789,180</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the interim condensed consolidated statements of financial position and the consolidated statements of cash flows	<u>1,604,141</u>	<u>789,180</u>

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the People’s Republic of China (“PRC”) on 10 January 2017 and was converted into a joint stock company on 31 December 2025. The registered office of the Company is located at No. 88 Tianqiao West Road, Yulin City, Guangxi Zhuang Autonomous Region, China.

The Company and its subsidiaries (collectively referred to as “the Group”) are principally engaged in the research, development, manufacturing, sales, and servicing of marine propulsion and power generation products.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the nine months ended 30 September 2025 has been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standard Board. The interim condensed consolidated financial information does not include all the information and disclosures required for a complete set of financial statements prepared in accordance with the IFRS Accounting Standards, and should be read in conjunction with the Group’s historical financial information for the years ended 31 December 2023 and 2024 (“Historical Financial Information”) as set out in the accountants’ report (the “Accountants’ Report”) included in Appendix I to the Company’s document dated [REDACTED] (the “Document”) in connection with the initial [REDACTED] of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

3. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group as a whole for the purpose of making decision on resources allocation and preformation assessment.

Geographical information

(a) Revenue from external customers

	Nine months ended 30 September	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Geographical market		
Chinese mainland	4,751,855	2,840,138
Overseas	215,344	127,733
Total	4,967,199	2,967,871

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

During the nine months ended 30 September 2025 and 2024, all of the Group's non-current assets were located in Chinese mainland.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the nine months ended 30 September 2025 and 2024 is set out below:

	Nine months ended 30 September	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Customer A	1,009,626	N/A*
GY and its subsidiaries (note 25(a))	N/A*	421,527

* N/A represents revenue from customer which amounted to less than 10% of the Group's revenue.

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Nine months ended 30 September	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue from contracts with customers	4,953,371	2,957,451
Rental income	13,828	10,420
Total	<u>4,967,199</u>	<u>2,967,871</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	Nine months ended 30 September	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Types of goods or services		
Power generator engines	3,435,024	2,322,595
Marine propulsion and auxiliary engines	477,014	369,048
Power generator sets:		
Sale of products	262,833	54,960
Arrangement for provision of products	72,795	5,921
Engine components	671,826	167,653
Others	33,879	37,274
Total	<u>4,953,371</u>	<u>2,957,451</u>
Geographical markets		
Chinese mainland	4,738,027	2,829,718
Overseas	215,344	127,733
Total	<u>4,953,371</u>	<u>2,957,451</u>
Timing of revenue recognition		
Transferred at the point in time	<u>4,953,371</u>	<u>2,957,451</u>

APPENDIX IA **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group’s performance obligations is summarised below:

Sales of engines and power generators sets

The performance obligation is satisfied upon delivery of the goods and acceptance by the customers. The credit term is generally 30 to 225 days.

An analysis of other income and gains is as follows:

	Nine months ended 30 September	
	2025	2024
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	12,303	9,656
Government grants*	41,639	9,877
Others	190	947
Total other income	<u>54,132</u>	<u>20,480</u>
Gains		
Foreign exchange gains, net	<u>2,193</u>	<u>1,198</u>
Total gains	<u>2,193</u>	<u>1,198</u>
Total other income and gains	<u>56,325</u>	<u>21,678</u>

* The government grants mainly represent incentives received from local governments for the purpose of compensation on research and development contribution, local economic contribution and purchases of items of property, plant and equipment. There are no unfulfilled conditions or contingencies relating to these grants.

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

5. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

		Nine months ended 30 September	
		2025	2024
	Notes	RMB’000 (Unaudited)	RMB’000 (Unaudited)
Cost of inventories sold**		3,665,704	2,210,099
Cost of services provided**		14,368	25,364
Depreciation of property, plant and equipment	10	54,351	57,970
Depreciation of right-of-use assets		24,340	22,896
Amortisation of intangible assets		8,724	7,730
Research and development costs:			
Current year expenditure		265,662	179,817
Lease payments not included in the measurement of lease liabilities		3,320	1,806
Employee benefit expenses (including directors’ and chief executive’s remuneration)			
Wages, salaries and other Allowances		148,076	137,444
Pension scheme contributions		14,611	13,898
Share-based payment expenses		8,062	2,860
Total		170,749	154,202
Impairment of trade receivables, net*		1,122	468
Impairment loss on property, plant and equipment*	10	219	—
Write-down of inventories to net realisable value		27,798	9,758
Product warranty provision:			
Additional provision		76,738	36,877
Loss on derecognition of financial assets measured at amortised cost*		227	359
Loss on disposal of items of property, plant and equipment*	10	6	32

* These amounts were included in “Other expenses” in the interim condensed consolidated statements of profit or loss.

** The cost of inventories sold and cost of services provided include expenses relating to staff cost, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

6. DIRECTORS’ AND SUPERVISOR’S REMUNERATION

Directors’ and supervisor’s remuneration for the periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Nine months ended 30 September	
	2025	2024
	RMB’000	RMB’000
Fees	—	—
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	—	—
Performance related bonuses	3,000	2,940
Equity-settled share-based payment expenses	4,337	1,541
Pension scheme contributions	—	—
Total	7,337	4,481

During the nine months ended 31 December 2025 and 2024, restricted shares were granted to a director in respect to their services rendering to the Group. The fair value of such granted restricted shares, which has been recognized in the statement of profit or loss, was determined as at the date of grant and the amount included in the Interim Financial Information is included in the above directors’ remuneration disclosures.

(a) Independent non-executive directors

There were no fees and other emoluments paid to the independent non-executive directors during the periods.

Mr. Fan Hao, Mr. Fan Conghui and Mr. Chan Ngai Fan are appointed as independent non-executive directors of the Company and their appointment will be conditional and effective upon the [REDACTED] of the Company’s H shares on the Main Board of the Hong Kong Stock Exchange.

(b) Executive directors, non-executive directors and the supervisors

Nine months ended 30 September 2025

	Fees	Salaries, bonuses, allowances and benefits in kind	Performance related bonuses	Equity- settled share- based payment expenses	Pension scheme contributions	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive director:						
Mr. Ning Xingyong (i)	—	—	3,000	4,337	—	7,337
Supervisor:						
Ms. Su Minghong (ii)	—	—	—	—	—	—
Total	—	—	3,000	4,337	—	7,337

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

6. DIRECTORS’ AND SUPERVISOR’S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the supervisors (continued)

Nine months ended 30 September 2024

	Fees	Salaries, bonuses, allowances and benefits in kind	Performance related bonuses	Equity- settled share- based payment expenses	Pension scheme contributions	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive director:						
Mr. Ning Xingyong (i)	—	—	2,940	1,541	—	4,481
Supervisor:						
Ms. Su Minghong (ii)	—	—	—	—	—	—
Total	—	—	2,940	1,541	—	4,481

- (i) Mr. Ning Xingyong was appointed as an executive director of the Company since January 2021.
- (ii) Ms. Su Minghong served as a supervisor since June 2022, has been appointed a director of the Company in December 2025. She was re-designated as a non-executive director in January 2026.
- (iii) Dr. Huang Yongzhong was appointed as a director of the Company in December 2025, and was re-designated as an executive director in January 2026.
- (iv) Mr. Neo Poh Kiat was appointed as a non-executive Director of the Company in January 2026.
- (v) Mr. Chen Hai, was appointed as a director of the Company in December 2025, and was re-designated as a non-executive Director in January 2026.

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Chinese mainland

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “CIT Law”), the subsidiaries which operate in Chinese mainland are subject to CIT at a rate of 25% on the taxable income, and the Company is subject to preferential tax as set out below.

- (a) According to tax regulations related to Western Region Development Policy, the applicable income tax rate is 15% for the Company, and such tax concession was started on 1 January 2021, will expire on 31 December 2030.
- (b) On 28 November 2024, the Company was recognized as a “High and New Technology Enterprise” (“HNTE”) and enjoyed a preferential corporate income tax rate of 15% for the nine months ended 30 September 2024 and 2025.

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

7. INCOME TAX (continued)

Chinese mainland (continued)

Additional deduction for research and development expense

According to the announcement of the Ministry of Finance and the State Administration of Taxation on further improving the policy of pre-tax deduction of research and development expenses (No.7 in 2023), if the research and development expenses actually incurred in the research and development activities of enterprises do not form intangible assets and are included in the current profits and losses, on the basis of actual deduction according to regulations, from 1 January 2023, 100% of the actual amount incurred will be additionally deducted before tax; Intangible assets are amortized at 200% of the cost of intangible assets before tax from 1 January 2023.

The income tax expense of the Group for the periods is analysed as follows:

	Nine months ended 30 September	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Current	137,889	40,941
Deferred	(21,878)	3,354
Total tax charge for the period	<u>116,011</u>	<u>44,295</u>

8. DIVIDENDS

	Nine months ended 30 September	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Final dividend in respect of the previous period, declared and paid during the following year (tax inclusive)	<u>175,000</u>	<u>—</u>

During the nine months ended 30 September 2025, a dividend of RMB175,000,000 was declared and paid by the Company to its then shareholders.

Subsequent to the end of the reporting period, in November 2025, a dividend of RMB250,000,000 was declared and paid by the Company to its then shareholders.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during the nine months ended 30 September 2025 and 2024.

The Company was converted into a joint stock limited liability company and issued 856,000,000 shares with the par value of RMB 1 each on 31 December 2025. The weighted average number of ordinary shares outstanding during the Relevant Period was determined assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:2 as upon transformation into a joint stock company.

The Company has no potentially dilutive ordinary shares in issue during the nine months ended 30 September 2025 and 2024.

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings per share are based on:

	Nine months ended 30 September	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Earnings		
Earnings attributable to ordinary equity holders of the parent, used in the basic earnings per share calculations	762,506	428,606
	Number of shares	
	Nine months ended 30 September	
	2025	2024
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares outstanding during the period, used in the basic earnings per share calculation (in thousand shares)	856,000	819,825

10. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2025, the Group acquired assets at a cost of RMB95,366,000 (30 September 2024: RMB59,556,000).

During the nine months ended 30 September 2025, depreciation of RMB54,351,000 (nine months ended 30 September 2024: RMB57,970,000) was charged and assets with a net book value of RMB6,000 were disposed of by the Group during the nine months ended 30 September 2025 (nine months ended 30 September 2024: RMB32,000).

During the nine months ended 30 September 2025, an impairment loss of RMB219,000 (30 September 2024: Nil) was recognized for certain property, plant and equipment in the Plant and machinery segment.

As at 30 September 2025, the Group has not obtained the certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB2,412,000 (31 December 2024: RMB2,533,000). The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 30 September 2025.

11. INTANGIBLE ASSETS

	30 September 2025	31 December 2024
	RMB'000 (Unaudited)	RMB'000
Software	2,913	1,712
Technology know-how	91,327	99,632
Construction in progress (software)	284	1,137
Total	94,524	102,481

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

12. LEASE

	30 September 2025	31 December 2024
	RMB'000 (Unaudited)	RMB'000
Right-of-use assets		
Plant and buildings	85,088	25
Lease liabilities		
Current portion	32,320	39
Non-current portion	77,350	—
Total	109,670	39

13. INVESTMENT IN A JOINT VENTURE

	30 September 2025	31 December 2024
	RMB'000 (Unaudited)	RMB'000
Shares of net assets	285,262	269,508

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

	30 September 2025	31 December 2024
	RMB'000 (Unaudited)	RMB'000
Share of the joint venture's profit for the period/year	89,651	86,112
Share of the joint venture's total comprehensive income for the period/year	89,651	86,112
Aggregate carrying amount of the Group's investment in the joint venture	285,262	269,508

During the period, dividends received from the joint venture amounted to RMB73,899,000.

14. OTHER NON-CURRENT ASSETS

	30 September 2025	31 December 2024
	RMB'000 (Unaudited)	RMB'000
Prepayments for property, plant and equipment	41,599	33,581

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

15. INVENTORIES

	<u>30 September 2025</u>	<u>31 December 2024</u>
	RMB'000	RMB'000
	(Unaudited)	
Raw materials	495,351	458,201
Work in progress	16,132	11,141
Finished goods	<u>1,150,390</u>	<u>1,039,793</u>
Total	<u><u>1,661,873</u></u>	<u><u>1,509,135</u></u>

16. TRADE AND BILLS RECEIVABLES

	<u>30 September 2025</u>	<u>31 December 2024</u>
	RMB'000	RMB'000
	(Unaudited)	
Trade receivables	2,211,632	636,232
Bills receivable	783,548	938,991
Impairment	<u>(2,098)</u>	<u>(976)</u>
Net carrying amount	<u><u>2,993,082</u></u>	<u><u>1,574,247</u></u>

Trade receivables mainly arise from the sales of marine engines and power generators sets. The Group periodically conducts credit evaluations of customers who trade on credit. Based on the results of the credit evaluations, the Group selects to transact with approved and creditworthy customers and monitors their receivable balances to ensure that the Company is not exposed to significant bad debt risk.

No collateral is required as the Group only deals with approved and creditworthy third parties. Credit risk concentration is managed on a customer-by-customer basis. Trade receivables are non-interest-bearing.

The Group's bills receivables were all accepted by banks and mature within one year, which were neither past due nor impaired.

As of 30 September 2025 and 31 December 2024, bills receivable of RMB112,326,000 (unaudited) and RMB360,625,000, whose fair values approximate to their carrying values, were classified as financial assets at fair value through other comprehensive income, respectively, and the remaining bills receivable were measured at amortized cost.

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

16. TRADE AND BILLS RECEIVABLES (continued)

The ageing of the trade receivables as at the end of each reporting period, based on the invoice date and net of provisions, is as follows:

	30 September 2025	31 December 2024
	RMB'000 (Unaudited)	RMB'000
Within 180 days	2,026,532	507,902
181 days to 1 year	134,025	98,583
1 to 2 years	48,579	28,759
2 to 3 years	386	12
Over 3 years	12	—
Total	<u>2,209,534</u>	<u>635,256</u>

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 September 2025	31 December 2024
	RMB'000 (Unaudited)	RMB'000
Prepayments	12,389	24,956
Taxes recoverable	32,863	61,705
Deposits and other receivables	44,029	53,626
Others	1,397	991
Total	<u>90,678</u>	<u>141,278</u>

18. CASH AND CASH EQUIVALENTS

	30 September 2025	31 December 2024
	RMB'000 (Unaudited)	RMB'000
Cash and bank balance	<u>1,604,141</u>	<u>885,866</u>

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

19. TRADE AND BILLS PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2025	31 December 2024
	RMB'000	RMB'000
	(Unaudited)	
Within 1 year	3,720,037	2,226,444
Over 1 year	4,190	3,122
Total	<u>3,724,227</u>	<u>2,229,566</u>

The trade and bills payables are non-interest-bearing and normally settled within one year.

As at 30 September 2025 and 31 December 2024, the carrying amounts of trade and bills payables approximated to their fair values.

20. OTHER PAYABLES AND ACCRUALS

	30 September 2025	31 December 2024
	RMB'000	RMB'000
	(Unaudited)	
Contract Liabilities:		
— Advance from customer	230,564	203,700
— Unfulfilled service-type maintenance services	15,116	17,545
Payroll payables	155,129	121,663
Payables for long-term assets	48,623	79,192
Refund liabilities	40,610	31,335
Output VAT to be transferred	21,184	26,526
Others	88,904	79,877
Total	<u>600,130</u>	<u>559,838</u>

21. INTEREST-BEARING BANK BORROWINGS

	30 September 2025	31 December 2024
	RMB'000	RMB'000
	(Unaudited)	
Current		
Bank loans — unsecured	410,748	348,419

APPENDIX IA **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

22. PROVISION

	30 September 2025	31 December 2024
	RMB'000	RMB'000
	(Unaudited)	
Provision for warranties	78,256	50,167

23. PAID-IN CAPITAL

	30 September 2025	31 December 2024
	RMB'000	RMB'000
	(Unaudited)	
Issued and fully paid up:		
Paid-in capital	428,000	428,000

24. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 September 2025	31 December 2024
	RMB'000	RMB'000
	(Unaudited)	
Contracted, but not provided for:		
Property, plant and equipment	77,053	79,089
Intangible assets	215	678
Total	77,268	79,767

APPENDIX IA **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

25. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Nine months ended 30 September	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of products		
— the joint venture	156,743	51,608
— Guangxi Yuchai Machinery Co., Ltd. and its subsidiaries and joint ventures, excluding the Group and its joint venture (“GYMCL related parties”)	73,977	57,279
— Guangxi Yuchai Machinery Group Company Limited (“GY”) and its subsidiaries	<u>204,605</u>	<u>421,068</u>
Purchase of products		
— the joint venture	260,315	233,405
— GYMCL related parties	390,317	288,978
— GY and its subsidiaries	<u>638,858</u>	<u>448,449</u>
Rendering of services		
— the joint venture	775	5,049
— GYMCL related parties	2,113	16,079
— GY and its subsidiaries	<u>92</u>	<u>459</u>
Receipt of services		
— the joint venture	186	—
— GYMCL related parties	37,959	31,467
— GY and its subsidiaries	<u>15,171</u>	<u>3,920</u>
Leasing as lessor with related parties		
— GYMCL related parties	<u>13,796</u>	<u>10,370</u>
Leasing as lessee with related parties		
— GYMCL related parties	22,613	21,453
— GY and its subsidiaries	<u>1,906</u>	<u>1,772</u>
Purchases of equipment and technology know-how		
— GYMCL related parties	<u>2,877</u>	<u>24,837</u>

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

25. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	30 September 2025	31 December 2024
	RMB'000 (Unaudited)	RMB'000
Trade and bills receivables		
— the joint venture	82,224	59,861
— GYMCL related parties	41,024	22,538
— GY and its subsidiaries	83,742	117,761
Prepayments, deposits and other receivables		
— GYMCL related parties	26,854	40,664
— GY and its subsidiaries	52	—
Trade and bills payables		
— the joint venture	26,431	36,431
— GYMCL related parties	409,350	257,844
— GY and its subsidiaries	428,735	307,957
Other payables and accruals		
— GYMCL related parties	6,092	94,451
— GY and its subsidiaries	3,258	327

(c) Compensation of key management personnel of the Group

	Nine months ended 30 September	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Short term employee benefits	4,953	4,837
Post-employment benefits	29	29
Share-based payment	4,828	1,715
Total compensation paid to key management personnel	9,810	6,581

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, interest-bearing bank and other borrowings, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

II. NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (continued)

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

As at 30 September 2025

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB’000 (Unaudited)	RMB’000 (Unaudited)	RMB’000 (Unaudited)
			Total RMB’000 (Unaudited)
Bills receivables	—	112,326	—

As at 31 December 2024

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB’000	RMB’000	RMB’000
			Total RMB’000
Bills receivables	—	360,625	—

27. EVENTS AFTER THE REPORTING PERIOD

In November 2025, the Company’s shareholders approved the payment of a dividend of RMB250,000,000 to its then shareholders, which was paid by the Company in November 2025.

On 24 December 2025, the Company’s shareholders passed resolutions approving, among other things, (i) the conversion of the Company from a limited liability company into a joint stock company with its Chinese name changed from “廣西玉柴船電動力有限公司” to “廣西玉柴船電動力股份有限公司”, and (ii) the conversion of the Company’s audited net asset value after distribution of profits in an amount of RMB1,322,373,046.74 as of 31 January 2025 into 856,000,000 shares with a nominal value of RMB1.00 each at a ratio of 1:0.6473, which were issued to the then shareholders in proportion to their respective equity interests in the Company’s registered capital, and the crediting of the remaining net assets value of RMB466,373,046.74 as the Company’s capital reserve. The conversion was completed on 31 December 2025.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

This Appendix is primarily intended to provide [REDACTED] with a summary of the Articles of Association. The following information is only a summary and may not include all materials that may be important to potential [REDACTED].

SHARES AND REGISTERED CAPITAL

Shares of the Company shall be in the form of share certificates and shall be registered shares.

For the issue of shares, the Company adopts the principles of publicity, fairness and impartiality, with each share of the same class having the same rights.

For shares of the same class issued at the same time, the conditions of issuance and the price per share shall be the same; any unit or individual that subscribes for shares shall pay the same price per share.

INCREASE OR DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase or Decrease of Shares

Based on the needs of operation and development, the Company may, in accordance with the provisions of laws and administrative regulations, and upon resolutions passed separately by the shareholders’ meeting, increase its capital by the following means:

- (I) issuing shares to unspecified objects;
- (II) issuing shares to specific objects;
- (III) allotting bonus shares to its existing shareholders;
- (IV) converting capital reserve into share capital;
- (V) other methods as stipulated by laws, administrative regulations, securities regulatory rules of the place where the Company’s shares are listed, and provisions of the China Securities Regulatory Commission (CSRC), and approved by the Hong Kong Stock Exchange.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated by the Company Law of the People’s Republic of China (hereinafter referred to as the “**Company Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as “**Hong Kong Listing Rules**”), and other relevant regulations and the Articles of Association.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

Repurchase of Shares

The Company shall not repurchase its own shares. However, subject to and in compliance with the provisions of laws, administrative regulations and the securities regulatory rules of the place where the Company’s shares are listed, the Company may repurchase its own shares under any of the following circumstances:

- (I) reducing the registered capital of the Company;
- (II) merging with another company that holds shares in the Company;
- (III) using shares for employee stock ownership plans or as shareholding incentives;
- (IV) acquiring shares held by shareholders (upon their request) who vote against any resolution proposed at any shareholders’ meeting on the merger or division of the Company;
- (V) using shares to convert the corporate bonds issued by the Company that are convertible to stocks;
- (VI) serving as a necessity for the Company to protect its value and shareholders’ interests;
- (VII) other circumstances as stipulated by laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules, and other regulatory rules of the place where the Company’s shares are listed.

The Company may repurchase its own shares through open centralized trading, or other methods stipulated by laws, administrative regulations, and securities regulatory rules of the place where the Company’s shares are listed, and recognized by the CSRC and the Hong Kong Stock Exchange.

Subject to compliance with the applicable securities regulatory rules of the place where the Company’s shares are listed, where the Company repurchases its own shares under the circumstances stipulated in items (III), (V) and (VI) of paragraph 1 of Article 25 of the Articles of Association, it shall adopt the open centralized trading method.

Where the Company repurchases its own shares under the circumstances stipulated in items (I) and (II) of paragraph 1 of Article 25 of the Articles of Association, it shall be subject to a resolution by the shareholders’ meeting; where the Company repurchases its own shares under the circumstances stipulated in items (III), (V) and (VI) of paragraph 1 of Article 25 of the Articles of Association, it shall be subject to a resolution passed by a Board meeting attended by more than two-thirds of the directors, provided that the applicable securities regulatory rules of the place where the Company’s shares are listed are complied with.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

After the Company repurchases its own shares in accordance with the provisions of Article 25, provided that the applicable securities regulatory rules of the place where the Company’s shares are listed, such shares shall be canceled within 10 days from the date of repurchase if it falls under the circumstances specified in item (I), or be transferred or canceled within six months if it falls under the circumstances specified in items (II) or (IV), or be transferred or canceled within three years if it falls under the circumstances specified in items (III), (V) and (VI), and the total number of the Company’s shares held by the Company does not exceed 10% of the total issued shares of the Company.

Transfer of Shares

The Company’s shares may be transferred according to law, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed and Articles of Association. Shares that have been issued prior to the Company’s [REDACTED] shall not be transferred within one year after the date when the Company’s shares are [REDACTED] .

The Company’s directors and senior management members shall report to the Company their holdings of shares in the Company and any changes thereto; the shares they transfer each year during their tenure as determined at the time of taking the office shall not exceed 25% of the total shares of the same class held by them in the Company; and the shares of the Company held by the aforesaid persons shall not be transferred within six months after their resignation.

If laws, administrative regulations, CRSC, the Hong Kong Listing Rules, or other regulatory rules of the place where the Company’s shares are listed have other provisions regarding restrictions on the transfer of the Company’s shares, such provisions shall prevail.

If a director or senior management member of the Company, or a shareholder holding more than 5% of the Company’s shares sells the shares of the Company held by them or other securities with an equity nature within six months after purchase, or purchases such shares or securities within six months after sale, any profit obtained therefrom shall belong to the Company, and the Board of Directors of the Company shall recover such profit, unless a securities Company holds more than 5% of the shares as a result of purchasing the remaining unsold shares underwritten by it or under any other circumstances prescribed by the CSRC and the Hong Kong Listing Rules.

The shares or other equity-like securities held by the directors, senior management members and natural person shareholders mentioned in the preceding paragraph include those held by their spouses, parents, children and those held through accounts of other persons.

If the Board of Directors of the Company does not observe the provision in paragraph 1 of this article, the shareholders have the right to require the Board of Directors to execute the provision within 30 days. If the Board fails to execute the provision within the aforesaid period, the shareholders have the right to directly file a lawsuit with the people’s court in their own names for the interests of the Company.

If the Board of Directors of the Company fails to observe the provision in the first paragraph of this article, the responsible directors shall bear joint liability according to law.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

SHAREHOLDERS AND SHAREHOLDERS’ MEETINGS

General Rules for Shareholders’ Meetings

The Company shall keep a register of shareholders according to the vouchers provided by the securities depository and clearing institution, which register bears adequate evidence of shareholders holding shares of the Company. The Company shall enter into a share custody agreement with the securities registration institution, regularly inquire about the data of major shareholders and changes in their shareholdings (including share pledges), and closely monitor the Company’s shareholding structure.

The shareholders of the Company shall be entitled to the following rights:

- (I) to obtain dividends and other forms of profit distribution in proportion to the number of shares held;
- (II) to lawfully request, convene, preside over or attend shareholders’ meetings either in person or by proxy and exercise the corresponding right to speak and vote;
- (III) to supervise the Company’s business operations, propose recommendations or raise inquiries;
- (IV) to transfer, give as gift or pledge their shares in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association;
- (V) to inspect and copy the Articles of Association, register of shareholders, minutes of shareholders’ meetings, resolutions of Board meetings, and financial and accounting reports; shareholders who meet the relevant regulations may inspect the Company’s accounting books and accounting vouchers;
- (VI) in the event of termination or liquidation of the Company, to participate in the distribution of the Company’s remaining assets in proportion to the number of shares they held;
- (VII) with respect to a shareholder who votes against any resolution adopted at any shareholders’ meetings on the merger or division of the Company, to request the Company to buy back his/her shares;
- (VIII) other rights stipulated by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

Where the contents of a resolution of the shareholders’ meeting or the Board meeting violate the laws or administrative regulations, the shareholders shall be entitled to petition the people’s court to declare the resolution invalid.

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If the convening procedure and voting method of the shareholders’ meeting or the Board meeting run counter to the laws, administrative regulations or Articles of Association, or if the content of any resolution runs counter to the Articles of Association, the shareholders shall be entitled to request the people’s court to cancel the said procedure, method or resolution within 60 days after adoption of the resolution. However, this right does not apply to cases where there are only minor defects in the convening procedure or voting method of the shareholders’ meeting or the Board meeting and which have no material impact on the resolutions.

The shareholders who are not notified to attend a shareholders’ meeting may petition to the people’s court for rescission within 60 days from the date on which they become aware or should have become aware of the adoption of the resolution. The right to rescind shall be extinguished if not exercised within one year from the date on which the resolution is adopted.

The shareholders of the Company shall undertake the following obligations:

- (I) to comply with the laws, administrative regulations, the Hong Kong Listing Rules and the Articles of Association;
- (II) to make payment for shares subscribed for according to the number of shares subscribed for and the method of subscription;
- (III) not to exit shares unless in the circumstances stipulated by laws and administrative regulations and the Hong Kong Listing Rules;
- (IV) not to abuse shareholders’ rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company’s status as an independent legal entity or the limited liability of shareholders to damage the interests of the Company’s creditors;
- (V) other obligations stipulated by laws, administrative regulations, the Hong Kong Listing Rules, and the Article of Association.

General Rules for the Shareholder’s Meeting

The shareholders’ meeting shall comprise all the shareholders. The shareholders’ meeting is the organ of authority of the Company, and shall exercise the following functions and powers pursuant to the law:

- (I) to elect and replace directors and to decide on matters relating to the remuneration of directors;
- (II) to consider and approve reports of the Board;
- (III) to consider and approve the Company’s profit distribution proposals and loss recovery proposals;
- (IV) to resolve on the increase or reduction of the registered capital of the Company;
- (V) to resolve on the issuance of corporate bonds;

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SUMMARY OF ARTICLES OF ASSOCIATION

- (VI) to resolve on the merger, division, dissolution or liquidation of the Company or change of its corporate form;
- (VII) to amend the Articles of Association;
- (VIII) to resolve on the engagement and dismissal of the accounting firm that undertakes the Company’s audit business and the payment of its remuneration;
- (IX) to consider matters regarding the Company’s purchase or sale of material assets within one year in excess of 25% of the latest audited total assets of the Company;
- (X) to consider and approve the transactions stipulated in Article 50 of the Articles of Association;
- (XI) to consider and approve the guarantee matters stipulated in Article 44 of the Articles of Association;
- (XII) to consider and approve matters relating to the changes in the use of proceeds from share offerings;
- (XIII) to consider other issues that should be decided by the shareholders’ meeting as stipulated by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

The shareholders’ meeting may authorize the Board of Directors to make resolutions on the issuance of corporate bonds.

The following guarantee-providing actions of the Company shall be considered and approved by the shareholders’ meeting:

- (I) guarantees of the Company and its controlled subsidiaries with an amount exceeding 50% of the latest audited net assets of the Company;
- (II) any guarantee provided after the total amount of Company’s external guarantee exceeds 25% of the latest audited net assets of the Company;
- (III) guarantees provided to others within one year with an amount exceeding 25% of the latest audited net assets of the Company;
- (IV) guarantees provided for guarantee recipients with a debt-to-asset ratio exceeding 70%;
- (V) any single guarantee with an amount exceeding 10% of the audited net assets as of the most recent period;
- (VI) guarantees provided to shareholders, de facto controllers and their related persons;
- (VII) other circumstances stipulated by laws, administrative regulations, and the Hong Kong Listing Rules.

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Where the Company provides a guarantee for its wholly-owned subsidiary, or provides a guarantee for a controlled subsidiary while other shareholders of such controlled subsidiary provide guarantees in proportion to their respective interests, and such guarantee falls under the circumstances specified in sub-paragraphs (1), (4), and (5) of the first paragraph of this Article, it may be exempted from submission to the shareholders’ meeting for review, unless otherwise required by laws, administrative regulations, or the securities regulatory rules of the place where the Company’s shares are listed (including the Hong Kong Listing Rules).

The shareholders’ meetings include annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once a year within 6 months from the end of the preceding fiscal year.

The Company shall convene an extraordinary general meeting within two months from the date of occurrence of any of the following circumstances:

- (I) the number of directors falls short of the quorum stipulated in the Company Law or is less than two thirds of the number specified in the Articles of Association;
- (II) the unrecovered losses of the Company amount to one third of the total amount of its share capital;
- (III) shareholder(s) severally or jointly holding more than 10% of the Company’s voting shares request(s) in writing the convening of an extraordinary general meeting;
- (IV) when deemed necessary by the Board of Directors;
- (V) when proposed by the Audit Committee;
- (VI) other circumstances as stipulated by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

Convening of the Shareholders’ Meeting

With the consent of more than half of all independent non-executive directors, independent non-executive directors have the right to propose to the Board of Directors to convene an extraordinary general meeting. Where independent non-executive directors propose to convene an extraordinary general meeting, the Board of Directors shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association, reply in writing on whether or not to approve the convening of an extraordinary general meeting within 10 days upon the receipt of the proposal.

If the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice to convene the meeting within 5 days after the resolution is passed by the Board. If the Board of Directors does not agree to convene an extraordinary general meeting, it shall state the reasons and make an announcement.

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When the Audit Committee proposes to the Board of Directors to convene an extraordinary general meeting, it shall submit the proposal to the Board of Directors in writing. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association, reply in writing on whether or not to approve the convening of an extraordinary general meeting within 10 days upon the receipt of the proposal. Where the Board agrees to convene an extraordinary general meeting, a notice on the convening of the meeting shall be issued within 5 days after the resolution is passed by the Board, and the changes made to the original proposal in the notice shall be approved by the Audit Committee. Where the Board does not agree to convene the extraordinary general meeting, or fails to reply within 10 days upon the receipt of the proposal, the Board shall be deemed as not being able to perform or not to perform its duty to convene shareholders’ meetings, and the Audit Committee may convene and preside over such meeting on its own.

Shareholders who individually or jointly hold more than 10% of the Company’s total issued share capital have the right to request the Board of Directors to convene an extraordinary general meeting and shall submit such a request to the Board in writing. The Board shall, in accordance with the laws, administrative regulations, Hong Kong Listing Rules and the securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association, reply in writing on whether or not to approve the convening of an extraordinary general meeting within 10 days upon the receipt of the request.

Where the Board agrees to convene the extraordinary general meeting, a notice on convening the meeting shall be issued within 5 days after the resolution is passed by the Board, and the changes made to the original request in the notice shall be approved by relevant shareholders.

If the Board refuses to convene an extraordinary general meeting or fails to give a response within 10 days after receiving the request, shareholders who individually or jointly hold more than 10% of the Company’s total issued share capital, have the right to propose to the Audit Committee to convene an extraordinary general meeting and shall submit such a request to the Audit Committee in writing. Where the Audit Committee agrees to convene an extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. Any change to the original request set forth in the notice shall be subject to approval by relevant shareholders. If the Audit Committee fails to issue a notice for the meeting within the specified time limit, it shall be deemed that the Audit Committee does not convene and preside over the meeting. In such a case, shareholders who individually or jointly hold more than 10% of the Company’s total issued share capital, for more than 90 consecutive days may convene and preside over the meeting on their own.

If the Audit Committee or shareholders decide to convene a shareholders’ meeting on their own, they must notify the Board of Directors in writing. When issuing the notice of the shareholders’ meeting and the announcement of the resolutions of the shareholders’ meeting, the Audit Committee or the convening shareholders shall complete all necessary reporting, announcements, or submit relevant supporting materials to the securities regulatory at the place of incorporation and the place where the Company’s shares are listed according to the securities regulatory rules of the place where the Company’s shares are listed and the regulations of the stock

APPENDIX III

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exchange. Before the announcement of the resolutions of the shareholders’ meeting, the shareholding ratio of the convening shareholders shall not be less than 10% of the total issued share capital. For the shareholders’ meeting convened by the Audit Committee or shareholders on their own, the Board of Directors and the Secretary to the Board shall provide cooperation. The Board of Directors shall provide a register of shareholders as of the equity registration date. For the shareholders’ meetings convened by the Audit Committee or shareholders on their own, the Company shall bear the necessary expenses for the meeting.

Proposals and Notices of Shareholders’ Meetings

The content of a proposal shall fall within the scope of the shareholders’ meeting’s powers, have a clear topic and specific resolution items, and comply with relevant provisions of laws, administrative regulations, Hong Kong Listing Rules and the securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association.

When the Company convenes a shareholders’ meeting, the Board of Directors, the Audit Committee, and shareholders who individually or jointly hold more than 1% of the Company’s total issued share capital have the right to submit proposals to the Company.

Shareholders who individually or jointly hold more than 1% of the Company’s total issued share capital, may submit a temporary proposal in writing to the convener 10 days before the convening of the shareholders’ meeting. The convener shall, within 2 days after receipt of the proposal, issue a supplementary notice to announce the content of the temporary proposal, and submit the temporary proposal to the shareholders’ meeting for consideration, except where the temporary proposal violates laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association, or falls outside the scope of the powers of the shareholders’ meeting. If, according to the securities regulatory rules of the place where the Company’s shares are listed, the shareholders’ meeting must be postponed due to the publication of a supplementary notice for the meeting, then the shareholders’ meeting shall be postponed in accordance with the requirements of such securities regulatory rules.

Save as specified in the preceding paragraph, the convener shall not change the proposals set out in the notice of shareholders’ meeting or add any new proposal after the said notice is served via announcement.

Proposals not set out in the notice of shareholders’ meeting or not complying with the Articles of Association shall not be voted on or resolved at the shareholders’ meeting.

The convener shall notify each shareholder in announcements 21 days before an annual general meeting (the starting date for calculating the 21-day period does not include the date of the meeting), and notify each shareholder in writing (including announcements) 15 days before an extraordinary general meeting (the starting date for calculating the 15-day period does not include the date of the meeting).

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The notice of a shareholders’ meeting shall specify:

- (I) the time, place, format and duration of the meeting;
- (II) matters and proposals submitted for consideration at the meeting;
- (III) a clear statement that all shareholders are entitled to attend the shareholders’ meeting and appoint proxies in writing to attend and vote at such meeting and that such proxies need not be shareholders of the Company;
- (IV) the equity registration date of shareholders entitled to attend the shareholders’ meeting;
- (V) the name and telephone number of the coordinator of the meeting;
- (VI) where a shareholders’ meeting is held via online or other means, the voting time and voting procedure of such means.

Where the election of directors is to be discussed at a shareholders’ meeting, the notice convening the shareholders’ meeting shall disclose in full the detailed information of the director candidates, which shall include at least the following:

- (I) personal particulars, including educational background, work experience, and concurrent positions held;
- (II) whether there exists a connected relationship with the Company or its controlling shareholder(s);
- (III) the number of shares held in the Company;
- (IV) whether the candidate has been subject to any penalties imposed by the China Securities Regulatory Commission or other relevant authorities, or any disciplinary sanctions imposed by a stock exchange;
- (V) whether the candidate meets the other qualification requirements for directors as stipulated by laws, administrative regulations, and the regulatory rules of the place where the Company’s shares are listed, such as the Hong Kong Listing Rules;
- (VI) any other information regarding the director candidate required to be disclosed under the securities regulatory rules of the place where the Company’s shares are listed or other applicable provisions.

Each director candidate shall be proposed as a separate resolution.

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Holding of Shareholders’ Meetings

All shareholders whose names are recorded in the register of shareholders on the record date, or their proxies, are entitled to attend the shareholders’ meeting. They can speak at the shareholders’ meeting and exercise their voting rights in accordance with relevant laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association (except those shareholders who are required to abstain from voting on specific matters in accordance with the securities regulatory rules of the place where the Company’s shares are listed).

Shareholders may attend the shareholders’ meeting in person. Alternatively, they may appoint one or more persons (who need not be shareholders) as their proxies to attend the meeting on their behalf, and to speak and vote on the meeting.

If an individual shareholder attends the meeting in person, they shall present their ID card or other valid certificates or documents that can prove their identity. If a proxy is appointed to attend the meeting on their behalf, the proxy shall present his/her valid ID card and the power of attorney from the shareholder.

Corporate shareholders shall be represented at the meeting by their legal representatives or the proxies appointed by the legal representatives. The legal representative attending the meeting shall present his/her identity card or valid certificate bearing evidence of his/her qualifications as legal representative; a proxy attending the meeting on behalf of the legal representative shall present his/her identity card and the written power of attorney lawfully issued by the legal representative of the corporate shareholder and sealed with the corporate seal. This does not apply to shareholders who are recognized [REDACTED] or their agents as defined by the relevant laws and regulations in force from time to time under Hong Kong law or the securities regulatory rules of the place where the Company’s shares are listed.

The power of attorney used by shareholders to appoint proxies to attend the shareholders’ meeting shall contain the following information:

- (I) name or title of the principal and the category and quantity of the Company’s shares held by the principal;
- (II) name or title of the proxy;
- (III) specific instructions from the shareholder, including instructions on voting in favor, against or abstaining from voting on each item on the agenda of the shareholders’ meeting;
- (IV) the date of issue and validity period of the power of attorney;
- (V) signature (or seal) of the principal; If the principal is a corporate shareholder, the corporate seal shall be affixed; for overseas corporate shareholders without a Company seal, it can be signed by a legally authorized person.

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A power of attorney shall contain a statement that, in default of directives, the proxy may vote in his/her discretion.

A shareholder’s proxy may, in accordance with the authorization of such shareholder, exercise (including but not limited to) the following rights:

- (I) the right of such shareholder to speak at the shareholders’ meeting;
- (II) the right to demand a poll vote, either alone or jointly with others;
- (III) the right to exercise voting rights by way of a poll vote.

If more than one proxy is appointed by a shareholder, such proxies may only exercise voting rights by way of a poll vote.

If the shareholder is a recognized clearing house (or its agent), the shareholder may authorize one or more persons it deems appropriate to act as its representatives at any shareholders’ meeting or creditors’ meeting. However, if more than one person is authorized, the power of attorney shall specify the number and type of shares involved in the authorization for each such person, and the power of attorney shall be signed by an authorized person of the recognized clearing house. Persons so authorized may exercise the rights on behalf of the recognized clearing house (or its agent) (without presenting shareholding certificates, notarized authorizations and/or further evidence to prove their formal authorization), and shall enjoy the same legal rights as other shareholders, including the rights to speak and vote, as if such persons were individual shareholders of the Company.

Where the proxy voting authorization form is signed by a person authorized by the principal, the power of attorney authorizing signature or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the proxy voting authorization form, be deposited at the Company’s domicile or at such other place as specified in the notice of the meeting.

Where the appointer is a legal entity, its legal representative or a person authorized by a resolution of its board of directors or other governing body shall attend the shareholders’ meeting as its representative.

If the shareholders’ meeting requires the directors and senior management members to be present at the meeting as non-voting delegates, the directors and senior management members shall attend the meeting as non-voting delegates and subject themselves to the inquiries of the shareholders. Subject to compliance with the securities regulatory rules of the place where the Company’s shares are listed, the aforementioned persons may attend or participate in the meeting via online, video, telephone, or other means of equivalent effect.

The shareholders’ meetings shall be presided over by the chairman of the Board of Directors. Where the chairman cannot or does not fulfill the duty thereof, more than half of the directors may jointly elect a director to preside over the meeting.

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A shareholders’ meeting convened by the Audit Committee itself shall be presided over by the convener of the Audit Committee. When the convener of the Audit Committee is unable to perform his/her duties or fails to perform his/her duties, one member of the Audit Committee jointly recommended by more than half of the Audit Committee members shall preside over the meeting.

For a shareholders’ meeting convened by shareholders on their own, it shall be presided over by the convener or a representative recommended by the convener.

When the presider violates the rules of procedure during the shareholders’ meeting, making it impossible to continue the meeting, with the consent of shareholders holding more than half of the voting rights present at the meeting, the shareholders’ meeting may elect a person to serve as the presider to continue the meeting.

Voting and Resolutions at Shareholders’ Meetings

Resolutions of a shareholders’ meeting shall be divided into ordinary resolutions and special resolutions. Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by shareholders (including proxies thereof) attending the shareholders’ meeting. Special resolutions shall be passed by votes representing more than two thirds of the voting rights held by shareholders (including proxies thereof) attending the shareholders’ meeting.

The following matters shall be approved by ordinary resolutions at a shareholders’ meeting:

- (I) work reports of the Board of Directors;
- (II) profit distribution plan and loss recovery plan formulated by the Board;
- (III) the appointment and removal of Board members (including their removal before the expiration of their terms of office, without prejudice to their claims for damages under any contract), as well as their remuneration and methods of payment;
- (IV) other matters than those that should be passed by special resolutions pursuant to relevant laws, administrative regulations, securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

The following matters shall be approved by special resolutions at a shareholders’ meeting:

- (I) increase or decrease of the registered capital of the Company;
- (II) division, merger, dissolution and liquidation of the Company or change of its corporate form;
- (III) amendment of the Articles of Association;

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- (IV) within 1 year, the Company’s purchase or sale of major assets, external investment, provision of financial assistance, external donations, or other matter, where the amount of such single transactions exceeds 20% of the latest audited total assets of the Company, or the amount of guarantees exceeds 25% of the latest audited total assets of the Company in a consecutive 12 months period;
- (V) equity incentive scheme;
- (VI) other matters that need to be passed by a special resolution as stipulated by laws, administrative regulations, Hong Kong Listing Rules and the securities regulatory rules of the place where the Company’s shares are listed, the Articles of Association, or the rules of procedure of the shareholders’ meeting.

Shareholders (including proxies thereof) shall exercise their voting rights as per the voting shares they represent. Each share carries the right to one vote, except for holders of class shares, unless otherwise provided by laws, administrative regulations, departmental rules, regulatory documents, or the securities regulatory rules of the place where the Company’s shares are listed. When voting, a shareholder (including a shareholder’s proxy) with two or more votes is not required to cast all votes uniformly as in favor of (or against or abstain) from a resolution matter.

Where laws, administrative regulations, departmental rules, regulatory documents, or the securities regulatory rules of the place where the Company’s shares are listed require that a shareholders’ meeting review major matters affecting the interests of minority investors and that the votes of such investors be counted separately, such requirements shall be complied with. The results of such separate vote counting shall be publicly disclosed in a timely manner (if required) in accordance with the applicable laws, administrative regulations, departmental rules, regulatory documents, and the securities regulatory rules of the place where the Company’s shares are listed.

The Company has no voting right for the shares it holds, and such part of shares shall be excluded from the total number of voting shares represented by the shareholders attending the shareholders’ meeting.

According to applicable laws and regulations and the Hong Kong Listing Rules, if any shareholder is required to abstain from voting on a resolution matter, or is restricted to only vote in favor of (or against) a resolution matter, the votes cast by such shareholders or their proxies in violation of relevant regulations or restrictions shall not be included in the total number of voting shares.

When a related party transaction is considered at a shareholders’ meeting, the related shareholders shall abstain from voting, and the voting shares held by them shall not be counted in the total number of valid votes; the resolution of the shareholders’ meeting shall fully disclose the voting results of the non-related shareholders.

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DIRECTORS AND THE BOARD OF DIRECTORS

General Provisions on Directors

Directors of the Company shall be natural persons. Any person who falls under any of the following circumstances shall not serve as a director of the Company:

- (I) a person without civil capacity or with limited civil capacity;
- (II) a person who has been sentenced for corruption, bribery, embezzlement, misappropriation of property, or disrupting the socialist market economic order, or has been deprived of political rights due to a criminal offense, where five years have not elapsed since the completion of the sentence or, in the case of a suspended sentence, two years have not elapsed since the expiration of the probation period;
- (III) a person who served as a director, factory director, or general manager of a company or enterprise that entered into bankruptcy liquidation and who was personally liable for the bankruptcy, where three years have not elapsed since the completion of the bankruptcy liquidation;
- (IV) a person who served as the legal representative of a company or enterprise whose business license was revoked or which was ordered to close down due to violations of law and who was personally liable for such events, where three years have not elapsed since the date of such revocation or closure;
- (V) a person who has a large amount of personal debt that is due and remains unpaid, and who has been listed by a people’s court as a discredited judgment debtor;
- (VI) a person who is subject to a market entry ban imposed by the csrc, where the ban period has not yet expired;
- (VII) a person who has been publicly identified by a stock exchange as unsuitable to serve as a director or senior management member of a listed company, where the period of such unsuitability has not yet expired;
- (VIII) other circumstances as prescribed by laws, administrative regulations, departmental rules, or the securities regulatory rules of the place where the company’s shares are listed.

Any election, appointment, or engagement of a director in violation of this article shall be invalid. If any director falls under any of the above circumstances during his/her term of office, the Company shall remove such person from the position.

Directors other than those serving as employee representatives shall be elected or replaced by the shareholders’ meeting. Each term shall be for a period of three years. Upon expiration of their term of office, a director may stand for re-election, unless otherwise stipulated by relevant laws, administrative regulations, departmental rules, or the securities regulatory rules of the place where the Company’s shares are listed. Furthermore, a shareholders’ meeting may remove a director from

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office prior to the expiration of his/her term in accordance with relevant laws, regulations, the Hong Kong Listing Rules, and other applicable securities regulatory rules of the place where the Company’s shares are listed.

The term of office of a director shall commence from the date on which such person assumes office and shall end upon the expiration of the current term of the Board. If re-election is not conducted in a timely manner upon the expiry of a director’s term, the original director shall continue to perform the duties of a director in accordance with the provisions of laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association until the newly elected director assumes office. Subject to compliance with applicable laws, regulations, and regulatory rules of Hong Kong, any person appointed by the Board to fill a casual vacancy on the Board or as an addition to the Board shall hold office only until the first annual general meeting after his/her appointment, at which time such person shall be eligible for re-election.

A director may resign before the expiration of his/her term of office. A written resignation report shall be submitted to the Board in the event of a resignation. The Board shall disclose the relevant information within the period required by the regulatory rules of the place where the Company’s shares are listed.

If the resignation of a director results in the number of members of the Board falling below the statutory minimum, such resignation shall not become effective until the vacancy caused by the resignation is filled by a newly appointed director. Before the resignation becomes effective, the resigning director shall continue to perform his/her duties in accordance with laws, administrative regulations, and regulations of the place where the Company’s shares are listed and the Articles of Association. Subject to compliance with applicable laws, regulations, and the securities regulatory rules of the place where the Company’s shares are listed, if the Board of Directors appoints a new director to fill a casual vacancy or as an addition to the Board, such director shall hold office only until the first annual shareholders’ meeting following his/her appointment, at which time he/she shall be eligible for re-election.

Board of Directors

The Board shall comprise nine directors. The Board shall have one employee representative director and three independent non-executive directors. The number of independent non-executive directors shall account for no less than one-third of the total number of Board members and at least one independent non-executive director shall be an accountant professional

The term of office of an independent director shall be the same as that of other directors, but an independent director shall not serve consecutively for more than six years. The Board shall have the power to make decisions on the execution of business operations and day-to-day management. Upon resolutions being adopted by the shareholders’ meeting, the Board shall implement such resolutions and be accountable to the shareholders’ meeting.

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The Board shall exercise the following powers:

- (I) to convene the shareholders’ meeting and report to the shareholders’ meeting on its work;
- (II) to implement the resolutions adopted at the shareholders’ meeting;
- (III) to determine the Company’s business plans and investment proposals;
- (IV) to formulate the Company’s profit distribution and loss recovery plans;
- (V) to formulate plans for increasing or reducing the registered capital of the Company, issuing bonds or other securities, and listing;
- (VI) to draft plans for major acquisitions, buybacks of the Company’s shares, mergers, demergers, dissolution, or changes to the Company’s corporate form;
- (VII) to determine, within the scope of authority delegated by the shareholders’ meeting, matters concerning the Company’s external investments, acquisitions and disposals of assets, asset pledges, external guarantees, entrusted wealth management, connected transactions, external donations, and other matters;
- (VIII) to determine the organizational structure of the Company’s internal management;
- (IX) to determine the appointment or dismissal of the president, Secretary to the Board, and other senior management members of the Company, and to decide on matters concerning their remuneration, rewards, and penalties; based on the nomination of the president, to determine the appointment or dismissal of deputy presidents, the chief financial officer, and other senior management members, and to decide on matters concerning their remuneration, rewards, and penalties;
- (X) to formulate the Company’s basic management systems;
- (XI) to formulate proposals for amendments to the Articles of Association;
- (XII) to manage matters related to the Company’s information disclosure;
- (XIII) to submit proposals to the shareholders’ meeting for the engagement or replacement of the accounting firm responsible for auditing the Company;
- (XIV) to hear the work reports of the president of the Company and review the performance of the president;
- (XV) other powers granted by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company’s shares are listed, or the Articles of Association.

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Unless otherwise provided in the securities regulatory rules of the place where the Company’s shares are listed, the Board shall determine the scope of authority for the Company’s external investments, acquisitions and disposals of assets, asset pledges, external guarantees, entrusted wealth management, connected transactions, and external donations, and shall establish strict review and decision-making procedures. Major investment projects shall be evaluated by relevant experts or professionals and submitted to the shareholders’ meeting for approval.

The Board shall have one chairman and shall be elected and removed by a majority of all directors.

The chairman shall exercise the following powers:

- (I) to preside over shareholders’ meetings and to convene and preside over Board meetings;
- (II) to supervise and inspect the implementation of Board resolutions;
- (III) to sign the important Board documents;
- (IV) to nominate the candidate for the Company’s general manager to the Board for approval;
- (V) other powers granted by the Article of Association, shareholder’s meeting, administrative regulations, the securities regulatory rules of the place where the Company’s shares are listed or the Board.

The Board shall hold at least 4 meetings each year, which shall be convened by the chairman, and all directors shall be notified at least 14 days before the meeting.

Shareholders holding ten percent or more of the total voting rights, individually or collectively, one-third or more of the directors, or the Audit Committee may propose the convening of an extraordinary meeting of the Board of Directors. The Chairman shall, within 10 days of receiving such a proposal, convene and chair a meeting of the Board of Directors.

The notice of an extraordinary Board meeting may be delivered by mail, personal delivery, email or other means approved by the Board of Directors. The notice period shall be no less than 48 hours prior to the date of the meeting.

The notice of the Board Meeting shall include the following issue:

- (I) the date and venue of the meeting;
- (II) the period of the meeting;
- (III) the reasons for convening the meeting and the proposed agenda;
- (IV) the date on which the notice is issued;
- (V) any other circumstances required by laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules, or other regulatory rules of the place where the Company’s shares are listed.

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An oral notice of meeting shall include at least the particulars specified in items (I) and (II) above, together with an explanation of the emergency requiring the prompt convening of an extraordinary meeting of the Board of Directors.

A Board meeting shall be convened only when more than one-half of all directors are in attendance. A resolution of the Board shall be adopted only with the approval of more than one-half of all directors. Each director shall have one vote.

Directors who are related to the corporates or individuals involved in the matters to be resolved at a Board meeting, the director shall promptly make a written report to the Board and abstention from voting due to conflict of interest. Such director shall not vote on the resolution in question and shall not vote on behalf of any other director. The Board meeting may be held with the attendance of more than one-half of the disinterested directors, and resolutions shall be passed by more than one-half of the disinterested directors in attendance. If the number of disinterested directors attending the meeting is less than three, the matter shall be submitted to the shareholders’ meeting for consideration.

Board meetings shall be attended in person by directors. If a director is unable to attend due to special circumstances, he/she may, by written proxy, authorize another director to attend on his/her behalf. An independent director shall not authorize a non-independent director to vote on his/her behalf. The proxy shall specify the name of the proxy holder, the matters authorized, the scope of authority, and the validity period, and shall be signed or sealed by the principal. The director attending the meeting on behalf of another shall exercise the director’s rights within the scope of authorization. A director who neither attends the Board meeting nor authorizes another director to attend on his/her behalf shall be deemed to have waived the right to vote at that meeting.

Resolutions of the Board of Directors shall be adopted by a show of hands or by a poll.

An extraordinary Board meeting may, provided that all directors are afforded full opportunity to express their views, be held and resolutions may be passed by means of communications such as correspondence, fax, or video conference. Resolutions passed shall be signed by the participating directors, provided that the written form of the resolutions and the minutes of the meeting shall be signed thereafter.

Special Committees under the Board

The Company shall establish an Audit Committee within the Board to exercise the powers regulated by the Company Law, the securities regulatory rules of the place where the Company’s shares are listed and other powers granted by the Article of Association.

The audit committee shall comprise a minimum of 3 members, all of whom shall be non-executive directors not being the senior management members, and at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial expert of the audit committee under the Hong Kong Listing Rules and other regulatory

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rules of the place where the Company’s shares are listed. A majority of the audit committee members must be independent non-executive directors of the Company, and its chairman must be an independent non-executive director.

The Audit Committee shall be responsible for reviewing the Company’s financial information and its disclosure, supervising and evaluating internal and external audits and internal controls. The following matters shall be submitted to the Board for deliberation only after being approved by more than half of all members of the Audit Committee:

- (I) disclosure of financial and accounting reports and financial information in periodic reports, and internal control evaluation reports;
- (II) appointment or dismissal of the accounting firm undertaking the audit of the listed Company;
- (III) appointment or dismissal of the chief financial officer of the listed Company;
- (IV) changes in accounting policies, accounting estimates, or corrections of significant accounting errors for reasons other than changes in accounting standards;
- (V) matters relating to the application of funds, including but not limited to connected transactions, external investments, the provision of financial assistance, and borrowing, shall be subject to review and approval by the Board of Directors.
- (VI) other matters as stipulated by laws, administrative regulations, securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association.

The Audit Committee shall convene at least one meeting each quarter. An ad hoc meeting may be convened when proposed by two or more members or deemed necessary by the convener. Meetings of the Audit Committee shall only be held when more than two-thirds of the members are present. Resolutions of the Audit Committee shall be passed by more than half of the members. Voting on resolutions of the Audit Committee shall follow a one-person-one-vote rule. Meeting minutes of Audit Committee resolutions shall be prepared in accordance with regulations, and the Audit Committee members attending the meeting shall sign the minutes.

The Board shall establish other relevant special committees such as the Strategy Committee, Nomination Committee, Remuneration Committee and ESG Committee. In the Nomination Committee, the Remuneration Committee, the independent non-executive Directors shall constitute the majority and serve as the chairman.

The rules of procedure for the special committees shall be formulated by the Board.

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Senior Management

The Company shall have one general manager, who shall be appointed or dismissed by the Board. The Company may appoint other senior management members, who shall also be appointed or dismissed by the Board.

The Articles of Association concerning disqualification from serving as a director shall also apply to senior management. Article 98 of the Articles of Association concerning the duty of loyalty of directors and Article 99 concerning the duty of diligence shall also apply to senior management. Article 119 of the Articles of Association concerning the resignation of directors shall likewise apply to senior management.

The general manager shall be accountable to the Board and shall exercise the following powers:

- (I) preside over the Company’s production and operational management, organize the implementation of resolutions of the Board, and report to the Board on their work;
- (II) organize the implementation of the Company’s annual business plan and investment proposals;
- (III) formulate plans for the establishment of the Company’s internal management structure;
- (IV) formulate the Company’s basic management systems;
- (V) formulate specific rules and regulations of the Company;
- (VI) propose to the Board the appointment or dismissal of other senior management members of the Company;
- (VII) decide on the appointment or dismissal of managerial personnel other than those whose appointment or dismissal shall be decided by the Board;
- (VIII) the powers of the legal representative of the Company and sign other documents, reports that shall be signed by the legal representative of the Company;
- (IX) other powers granted by the Articles of Association or the Board.

The general manager shall attend Board meetings.

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FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION, AND AUDIT**Financial and Accounting System**

The Company shall, in accordance with laws, administrative regulations, and the provisions of relevant state authorities, formulate its financial and accounting system.

The Company shall prepare the financial accounting report and have it audited in accordance with the law by an accounting firm.

In addition to statutory accounting books, the Company shall not establish separate accounting books. The Company’s assets shall not be deposited in accounts opened under any individual’s name.

When distributing the after-tax profits of the current year, the Company shall allocate 10% of such profits to the statutory reserve fund. Where the cumulative amount of the statutory reserve fund has exceeded 50% of the Company’s registered capital, no further allocation is required.

If the statutory reserve fund of the Company is insufficient to cover losses carried forward from previous years, such losses shall be covered first using the profits of the current year before making the allocation to the statutory reserve fund as provided in the preceding paragraph. After allocating to the statutory reserve fund, the Company may, subject to resolution of the shareholders’ meeting, further allocate a portion of the after-tax profits to a discretionary reserve fund.

The remaining after-tax profits of the Company, after covering losses and allocating to the reserve funds, shall be distributed to shareholders in proportion to their respective shareholdings, except where otherwise provided in the Articles of Association. Where the shareholders’ meeting distributes profits in violation of the Company Law, the shareholders shall return such improperly distributed profits to the Company. Where losses are caused to the Company, the shareholders and the directors and senior management members who are responsible shall be liable for compensation. Shares of the Company held by the Company itself shall not be entitled to profit distribution.

The Company’s reserve funds shall be used to cover losses, expand production and operations, or be converted into capital of the Company. When the statutory surplus reserve is converted into an increase in registered capital, the amount of such reserve retained thereafter shall not be less than 25% of the Company’s registered capital prior to the conversion.

Internal Audit

The Company shall implement an internal audit system, which shall clearly define the leadership structure, responsibilities and authority, staffing, funding, utilization of audit results, and accountability in relation to internal audit work.

The internal audit system of the Company shall be accountable to the Board.

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Engagement of Accounting Firms

The Company shall engage an accounting firm that complies with the Securities Law, the regulatory rules of the place where the Company’s shares are listed to provide services including auditing of financial statements, verification of net assets, and other relevant consultancy services. The term of engagement shall be one year and may be renewed.

The engagement or dismissal of an accounting firm and the payment of its remuneration shall be determined by the shareholders’ meeting. The Board shall not appoint an accounting firm before the shareholders’ meeting has made a decision.

The Company shall provide the engaged accounting firm with true and complete accounting vouchers, accounting books, financial accounting reports, and other accounting materials, and shall not refuse, conceal, or make any false statements.

The audit fees of the accounting firm shall be determined by the shareholders’ meeting.

If the Company dismisses or decides not to renew the engagement of an accounting firm, it shall notify the firm three days in advance. When the shareholders’ meeting of the Company deliberates the dismissal of the accounting firm, the firm shall be allowed to express its opinion. Where an accounting firm proposes resignation, it shall explain to the Board whether there are any improprieties on the part of the Company.

MERGER, DIVISION, INCREASE AND REDUCTION OF REGISTERED CAPITAL, DISSOLUTION, AND LIQUIDATION

Merger, Division, Increase and Reduction of Registered Capital

The Company may, in accordance with the law, undergo a merger or division. A merger may take the form of an absorption merger or a new establishment merger. In an absorption merger, one Company absorbs other companies, and the absorbed companies shall be dissolved. In a new establishment merger, two or more companies merge to establish a new Company, and all parties to the merger shall be dissolved.

For a merger, the parties to the merger shall enter into a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date the merger resolution is adopted, and shall make an announcement within 30 days on stipulated journal, or via the National Enterprise Credit Information Publicity System. Creditors may, within 30 days from the date of receiving the notice, or within 45 days from the date of the announcement if no notice is received, demand that the Company repay debts or provide corresponding guarantees.

In a merger, the surviving Company or the newly established Company shall assume all claims and debts of the parties to the merger.

In the case of a division, the Company’s assets shall be divided accordingly.

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A balance sheet and an inventory of assets shall be prepared for the division. The Company shall notify its creditors within 10 days from the date the division resolution is adopted, and shall make an announcement within 30 days on stipulated journal, or via the National Enterprise Credit Information Publicity System. Debts incurred before the division shall be borne jointly and severally by the companies after the division, except where the Company has entered into a written agreement with the creditors regarding debt repayment prior to the division.

The Company shall notify its creditors within 10 days from the date the shareholders’ meeting adopts the resolution to reduce the registered capital, and shall make an announcement within 30 days in stipulated journal or via the National Enterprise Credit Information Publicity System. Creditors may, within 30 days from the date of receiving the notice, or within 45 days from the date of the announcement if no notice is received, demand that the Company repay debts or provide corresponding guarantees.

Where the Company issues new shares to increase its registered capital, shareholders shall not have preemptive subscription rights, unless otherwise provided in the Articles of Association or resolved by the shareholders’ meeting.

Where a merger or division involves changes in registration particulars, such changes shall be registered with the Company registration authority in accordance with the law. Where the Company is dissolved, it shall apply for deregistration in accordance with the law. Where a new Company is established, it shall apply for Company registration in accordance with the law.

Where the Company increases or reduces its registered capital, it shall register the change with the Company registration authority in accordance with the law.

Dissolution and Liquidation

The Company shall be dissolved for any of the following reasons:

- (I) the expiration of the business term prescribed in the Articles of Association or the occurrence of any other dissolution event stipulated in the Articles of Association;
- (II) dissolution as resolved by the shareholders’ meeting;
- (III) dissolution due to a merger or division of the Company;
- (IV) revocation of the business license, order to close down, or cancelation as imposed in accordance with the law;
- (V) where the Company encounters serious difficulties in its operations and management, and its continued existence would cause significant harm to the interests of shareholders, and such difficulties cannot be resolved through other means, shareholders individually or jointly holding more than 10% of the total voting rights of all shareholders may petition the people’s court to dissolve the Company.

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Where any of the dissolution events set forth in the preceding paragraph occurs, the Company shall disclose the cause of dissolution via the National Enterprise Credit Information Publicity System within ten days.

Where the Company falls under the circumstances described in items (I) or (II) of Article 183 of the Articles of Association and has not yet distributed its assets to shareholders, it may continue to exist by amending the Articles of Association or by resolution of the shareholders’ meeting.

An amendment to the Articles of Association or a resolution of the shareholders’ meeting in accordance with the preceding paragraph shall be passed by shareholders representing more than two-thirds of the voting rights of the shareholders attending the shareholders’ meeting.

Where the Company is dissolved due to the circumstances stipulated in items (I), (II), (IV), or (V) of Article 183 of the Articles of Association, it shall be liquidated. The directors shall be the liquidation obligors of the Company and shall establish a liquidation committee within 15 days from the date the dissolution event arises and commence liquidation. The liquidation committee shall be composed of directors, unless otherwise provided in the Articles of Association or otherwise resolved by the shareholders’ meeting. Where the liquidation obligors fail to perform their liquidation duties in a timely manner and cause losses to the Company or its creditors, they shall be liable for compensation.

During the liquidation period, the liquidation committee shall exercise the following powers:

- (I) to sort out the assets of the Company and preparing a balance sheet and an inventory of assets respectively;
- (II) notifying or announcing to creditors;
- (III) handling the Company’s unfinished business related to the liquidation;
- (IV) paying taxes owed and taxes arising during the liquidation process;
- (V) verifying claims and debts;
- (VI) distributing any remaining property of the Company after debts have been repaid;
- (VII) representing the Company in civil litigation proceedings.

The liquidation committee shall notify creditors within ten days from its establishment and shall make an announcement within sixty days in China Securities Journal, Securities Times, or via the National Enterprise Credit Information Publicity System. Creditors shall declare their claims to the liquidation committee within thirty days from the date of receiving the notice, or within forty-five days from the date of the announcement if the notice was not received. When declaring claims, creditors shall explain the details of their claims and provide supporting documents. The liquidation committee shall register the declared claims. During the claim declaration period, the liquidation committee shall not make any payments to creditors.

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Upon completing the verification of the Company’s assets and preparation of the balance sheet and the inventory of assets, the liquidation committee shall formulate a liquidation plan and submit it to the shareholders’ meeting or the people’s court for confirmation. After settling liquidation expenses, employee wages, social insurance premiums, statutory compensations, taxes owed, and repaying the Company’s debts, the remaining assets of the Company shall be distributed to shareholders in proportion to their shareholding. During the liquidation period, the Company shall continue to exist but shall not conduct any business activities unrelated to the liquidation. The Company’s assets shall not be distributed to shareholders before the payments specified in the preceding paragraph have been made.

If, after verifying the Company’s assets and preparing the balance sheet and inventory of assets, the liquidation committee determines that the Company’s assets are insufficient to repay its debts, it shall apply to the people’s court for bankruptcy liquidation. Upon acceptance of the bankruptcy application by the people’s court, the liquidation committee shall transfer the liquidation matters to the bankruptcy administrator designated by the people’s court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders’ meeting or the people’s court for confirmation, and file an application with the Company registration authority for deregistration, and announce the termination of the Company.

If the Company is declared bankrupt in accordance with the law, it shall undergo bankruptcy liquidation pursuant to the relevant laws on enterprise bankruptcy.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles of Association:

- (I) where amendments to the Company Law or relevant laws, administrative regulations, or the securities regulatory rules of the stock exchange where the Company’s shares are listed result in inconsistencies with the provisions of the Articles of Association;
- (II) where changes in the Company’s circumstances result in inconsistencies with the matters recorded in the Articles of Association;
- (III) where the shareholders’ meeting resolves to amend the Articles of Association.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation of the company

Our Company was established as a limited liability company in the PRC on January 10, 2017, with limited liability, and was converted into a joint stock limited liability company on December 31, 2025, in accordance with applicable PRC laws and regulations and its Chinese name was renamed from “廣西玉柴船電動力有限公司” to “廣西玉柴船電動力股份有限公司”. Our registered office is located at 88 Tianqiao West Road, Yulin, Guangxi Zhuang Autonomous Region, the PRC.

We [have established] a place of business in Hong Kong at Room 1915, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and [were registered] with the [REDACTED] as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●], [●]. Ms. Mak Sin Yi [has been appointed] as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in “Regulatory Overview” and Appendix III to this document, respectively.

Changes in share capital of the company

Save as disclosed in “History, Development and Corporate Structure” in this document, there has been no other alteration in the share capital of our Company within the two years immediately preceding the date of this document.

As of the Latest Practicable Date, the registered capital of our Company was RMB856,000,000 comprising 856,000,000 Unlisted Shares with a nominal value of RMB1.00 each.

Changes in the share capital of our subsidiaries

On July 10, 2025, Yuchai Power Solutions was incorporated in PRC with a registered capital of RMB50 million.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

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STATUTORY AND GENERAL INFORMATION

Resolutions passed by Shareholders

Pursuant to the Shareholders’ general meeting held on [●], 2026, the following resolutions, among other things, were duly passed:

- (a) the [REDACTED] by our Company of the H Shares with a nominal value of RMB1.00 each, representing up to [REDACTED]% of the total share capital of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised) and such H Shares be [REDACTED] on the Stock Exchange;
- (b) the granting of the [REDACTED] in respect of no more than [REDACTED]% of the number of H Shares issued as mentioned above;
- (c) subject to the completion of the filing with the CSRC, upon completion of the [REDACTED], 856,000,000 Unlisted Shares held by four existing Shareholders will be converted into H Shares on a one-for-one basis;
- (d) subject to the completion of the [REDACTED], the Articles of Association have been approved and adopted which will become effective from the [REDACTED], and the Board and person(s) authorized by the Board have been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and
- (e) approving the Board and person(s) authorized by the Board to handle all matters relating to, among other things, the [REDACTED] of H Shares on the Stock Exchange.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be materials:

- (a) the sale and purchase agreement dated August 8, 2025 entered into between Yulin Dayingjia and Yulin Zhongli for the acquisition of approximately 0.04% interest in the Company by Yulin Zhongli at a consideration of RMB543,925.6;
- (b) the Deed of Non-Competition;
- (c) the Deed of Indemnity; and
- (d) the [REDACTED].

APPENDIX IV

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Intellectual property rights

As of the Latest Practicable Date, the Group has registered or has been granted license(s) to use the following intellectual property rights which were material to the Group’s business.

Trademarks

As at the Latest Practicable Date, our Group was granted a license by GY, for a period of 10 years from December 1, 2021 to December 31, 2031, to use the following trademarks on a royalty-free basis:

No.	Trademark	Class	Registered Owner	Place of registration	Registration number	Validity period
1.		7	GY	PRC	969871	December 1, 2021 to December 31, 2031
2.		7	GY	PRC	1035383	December 1, 2021 to December 31, 2031
3.		7	GY	PRC	1421054	December 1, 2021 to December 31, 2031
4.		7	GY	PRC	1421055	December 1, 2021 to December 31, 2031
5.		7	GY	PRC	1421059	December 1, 2021 to December 31, 2031
6.		7	GY	PRC	1421056	December 1, 2021 to December 31, 2031
7.		7	GY	PRC	3437133	December 1, 2021 to December 31, 2031
8.		7	GY	PRC	3437132	December 1, 2021 to December 31, 2031
9.		7	GY	PRC	3437135	December 1, 2021 to December 31, 2031
10.		7	GY	PRC	3437136	December 1, 2021 to December 31, 2031

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No.	Trademark	Class	Registered Owner	Place of registration	Registration number	Validity period
11.		7	GY	PRC	3437134	December 1, 2021 to December 31, 2031
12.		7	GY	PRC	3437146	December 1, 2021 to December 31, 2031
13.		7	GY	PRC	9470143	December 1, 2021 to December 31, 2031
14.		7	GY	PRC	9470170	December 1, 2021 to December 31, 2031
15.		7	GY	PRC	9470188	December 1, 2021 to December 31, 2031
16.		7	GY	PRC	9470240	December 1, 2021 to December 31, 2031
17.		7	GY	PRC	9470222	December 1, 2021 to December 31, 2031
18.		7	GY	PRC	5468115	December 1, 2021 to December 31, 2031
19.		7	GY	PRC	5730477	December 1, 2021 to December 31, 2031
20.		7	GY	PRC	8288953	December 1, 2021 to December 31, 2031
21.		7, 12, 35, 37	GY	Madrid Protocol	TM202100388	December 1, 2021 to December 31, 2031
22.		7	GY	Madrid Protocol	TM202100259	December 1, 2021 to December 31, 2031

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Patents

As of the Latest Practicable Date, we have registered the following patents which we consider to be or may be material to our business:

<u>No.</u>	<u>Patent name</u>	<u>Patent owner</u>	<u>Type of patent</u>	<u>Place of registration</u>	<u>Registration number</u>	<u>Expiry date</u>
1.	High speed marine diesel fenced cylinder head	The Company	Invention	PRC	ZL 201310750078.0	December 31, 2033
2.	High speed marine diesel cylinder support structure	The Company	Invention	PRC	ZL 201310750989.3	December 31, 2033
3.	High speed marine diesel cylinder block	The Company	Invention	PRC	ZL 201310750098.8	December 31, 2033
4.	Intercooler for v-type multi-cylinder engine	The Company	Invention	PRC	ZL 201811251276.1	October 25, 2038
5.	Crankshaft structure with front and rear auxiliary support brackets	The Company	Invention	PRC	ZL 202410852399.X	June 28, 2044
6.	A method for transient load control in an electronically controlled common rail diesel engine	The Company	Invention	PRC	ZL 202210394184.9	April 14, 2042
7.	Gas blending system	The Company	Invention	PRC	ZL 201811173917.6	October 9, 2038
8.	A method for integrating self-locking function into a controller	The Company	Invention	PRC	ZL 202010689959.6	July 17, 2040
9.	Fuel control method for gas engine intake pressure closed-loop	The Company	Invention	PRC	ZL 202011236046.5	November 9, 2040
10.	Multi-layer thermal balance system for engine exhaust	The Company	Invention	PRC	ZL 201811503344.9	December 10, 2038
11.	A marine engine control method and common rail system	The Company	Invention	PRC	ZL 202011518398.X	December 21, 2040
12.	Transient compensation control system and method for gas generator	The Company	Invention	PRC	ZL 202011050613.8	September 29, 2040
13.	Fuel control method and system for gas engine	The Company	Invention	PRC	ZL 202010467647.0	May 28, 2040

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
14.	A turbocharged intercooler system enhancing engine response capability	The Company	Invention	PRC	ZL 202210231570.6	March 9, 2042
15.	An engine control method based on engine oil quality	The Company	Invention	PRC	ZL 202210667046.3	June 13, 2042
16.	Anti-stall method for reverse-direction ships	The Company	Invention	PRC	ZL 201910747884.X	August 14, 2039
17.	A camless high-power engine valve train and cylinder head	The Company	Invention	PRC	ZL 202210414208.2	April 14, 2042
18.	Helical top-mounted tightly-wound closed-loop cooling piston-connecting rod assembly	The Company	Invention	PRC	ZL 201810859900.X	August 1, 2038
19.	An engine electronic speed control method and system	The Company	Invention	PRC	ZL 201910884798.3	September 19, 2039
20.	An automatically adjustable water pump assembly for diesel engines	The Company	Invention	PRC	ZL 201510074094.1	February 12, 2035
21.	Gas engine mixer	The Company	Invention	PRC	ZL 202010250612.1	April 1, 2040
22.	Multi-point injection intake manifold for gas engines	The Company	Invention	PRC	ZL 201410487760.X	September 22, 2034
23.	High-speed marine diesel engine cylinder head	The Company	Invention	PRC	ZL 201310750036.7	December 31, 2033
24.	Four-valve diesel engine cylinder head	The Company	Invention	PRC	ZL 201310606161.0	November 25, 2033
25.	Diesel engine cylinder head	The Company	Invention	PRC	ZL 201110141340.2	May 25, 2031
26.	A gas injection device	The Company	Invention	PRC	ZL 201710800573.6	September 7, 2037
27.	Marine v-type diesel engine cylinder block	The Company	Invention	PRC	ZL 201210001742.7	January 5, 2032
28.	Intercooler water separator tank for v-type diesel engine cooling and lubrication circuits	The Company	Invention	PRC	ZL 201610978676.7	November 8, 2036

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No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
29.	Integrated gas engine mixer	The Company	Invention	PRC	ZL 201510670151.2	October 15, 2035
30.	Air filter with intake compensation and active purge cleaning structure	The Company	Invention	PRC	ZL 202211716492.5	December 29, 2042
31.	Gas fuel engine safe starting system and control method	The Company	Invention	PRC	ZL 202210804563.0	July 8, 2042
32.	Power take-off structure at crankshaft front end	The Company	Invention	PRC	ZL 201510237009.9	May 12, 2035
33.	Laser-hardened main bearing cap and its manufacturing method	The Company	Invention	PRC	ZL 201811503275.1	December 10, 2038
34.	Automatic drainage system for marine diesel engine intercoolers	The Company	Invention	PRC	ZL 201510074638.4	February 12, 2035
35.	V-type 12-cylinder diesel engine	The Company	Invention	PRC	ZL 201810123071.9	February 7, 2038
36.	Gas engine intake manifold assembly	The Company	Invention	PRC	ZL 201710408437.2	June 2, 2037
37.	Method and system for controlling speed of electronic-controlled water pump in internal combustion engine	The Company	Invention	PRC	ZL 202011395289.3	December 1, 2040
38.	Oil supply system for v-type multi-cylinder diesel engine	The Company	Invention	PRC	ZL 201810122554.7	February 7, 2038
39.	Cooling system for v-type multi-cylinder diesel engines	The Company	Invention	PRC	ZL 201810122093.3	February 7, 2038
40.	High-power v-type multi-cylinder diesel engine system	The Company	Invention	PRC	ZL 201810122083.X	February 7, 2038
41.	Lubricating oil supply system for v-type multi-cylinder diesel engines	The Company	Invention	PRC	ZL 201810122061.3	February 7, 2038
42.	Double-layer pipe joint for engine fuel supply system	The Company	Invention	PRC	ZL 201510405065.9	July 10, 2035

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No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
43.	Method and structure for controlling engine intake air temperature	The Company	Invention	PRC	ZL 202110734797.8	June 30, 2041
44.	Exhaust gas boosting system with interconnected exhaust pipes	The Company	Invention	PRC	ZL 202110335740.0	March 29, 2041
45.	Control method and system for internal combustion engine intake and exhaust treatment	The Company	Invention	PRC	ZL 202110257619.0	March 9, 2041
46.	A fuel injection pump drive structure, high-pressure common rail system, and engine	The Company	Invention	PRC	ZL 202011518253.X	December 21, 2040
47.	Diesel fuel supply system for v-type multi-cylinder diesel engines	The Company	Invention	PRC	ZL 201810123050.7	February 7, 2038
48.	A control method for over-control function in marine engines	The Company	Invention	PRC	ZL 202011382314.4	December 1, 2040
49.	A crankshaft oil seal press-fit tooling and method for engines	The Company	Invention	PRC	ZL 202010242926.7	March 31, 2040
50.	A monoblock pump core installation method for v-type engine tappet pins	The Company	Invention	PRC	ZL 202010166663.6	March 11, 2040
51.	V-type cylinder block structure enhancing block rigidity and nvh performance	The Company	Invention	PRC	ZL 201910283402.X	April 10, 2039
52.	Cylinder block structure for enhanced rigidity and nvh performance	The Company	Invention	PRC	ZL 201910283396.8	April 10, 2039
53.	V-type 12-cylinder cylinder block	The Company	Invention	PRC	ZL 201910283372.2	April 10, 2039
54.	Rocker arm shaft oil pressure test fixture connector	The Company	Invention	PRC	ZL 201810859749.X	August 1, 2038

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No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
55.	Sealing structure for segmented exhaust system	The Company	Invention	PRC	ZL 201810859730.5	August 1, 2038
56.	Distributor structure	The Company	Invention	PRC	ZL 201711064803.3	November 2, 2037
57.	Air-water mixing silencer for marine engines	The Company	Invention	PRC	ZL 201710691585.X	August 14, 2037
58.	Air supply system for marine gas engines	The Company	Invention	PRC	ZL 201710408958.8	June 2, 2037
59.	Water-cooled exhaust pipe	The Company	Invention	PRC	ZL 202010362844.6	April 30, 2040
60.	Water-cooled exhaust pipe	The Company	Invention	PRC	ZL 201910171097.5	March 7, 2039
61.	Sealing structure for thermostat housing	The Company	Invention	PRC	ZL 202210232547.9	March 9, 2042
62.	Intake valve for intercooler	The Company	Invention	PRC	ZL 201510239042.5	May 12, 2035
63.	Water-cooled exhaust pipe with built-in fixing bolts and installation method	The Company	Invention	PRC	ZL 202011382385.4	December 1, 2040
64.	Crankshaft structure for marine engine and engine	The Company	Invention	PRC	ZL 202010492151.9	June 3, 2040
65.	Oil-gas separator structure for marine engines	The Company	Invention	PRC	ZL 201910116795.5	February 15, 2039
66.	Power take-off structure for v-type diesel engine	The Company	Invention	PRC	ZL 202010758894.6	July 31, 2040
67.	Intercooler assembly for v-type multi-cylinder diesel engine	The Company	Invention	PRC	ZL 201810123109.2	February 7, 2038
68.	Multi-stage oil-gas separation system for engine and its control method	The Company	Invention	PRC	ZL 202011319356.3	November 23, 2040
69.	High-efficiency oil-gas separation system and engine thereof	The Company	Invention	PRC	ZL 202110962673.5	August 20, 2041
70.	Connecting structure for engine components	The Company	Invention	PRC	ZL 202110677985.1	June 18, 2041

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No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
71.	Submerged marine engine mounting base assembly and installation method thereof	The Company	Invention	PRC	ZL 202010380392.4	May 8, 2040
72.	Engine for unmanned boat	The Company	Invention	PRC	ZL 202110179134.4	February 8, 2041
73.	A distributor	The Company	Invention	PRC	ZL 201910282753.9	April 10, 2039
74.	A piston removal and lifting fixture	The Company	Invention	PRC	ZL 202211669121.6	December 23, 2042
75.	A diesel generator power train for easy installation and removal	The Company	Invention	PRC	ZL 202110676458.9	June 18, 2041
76.	A fixed base for diesel generator sets facilitating installation	The Company	Invention	PRC	ZL 202111152105.5	September 29, 2041
77.	Thermostat housing	The Company	Invention	PRC	ZL 201910282700.7	April 10, 2039
78.	Diesel engine filter housing	The Company	Invention	PRC	ZL 201611120504.2	December 8, 2036
79.	A segmented water-cooled exhaust manifold	The Company	Invention	PRC	ZL 202011517083.3	December 21, 2040
80.	An engine oil-gas separation system	The Company	Invention	PRC	ZL 202110960802.7	August 20, 2041
81.	A diesel supply system for v-type multi-cylinder engines reducing pressure fluctuations	The Company	Invention	PRC	ZL 202010243791.6	March 31, 2040
82.	A diesel supply system for in-line large multi-cylinder engines reducing pressure fluctuations	The Company	Invention	PRC	ZL 202010242919.7	March 31, 2040
83.	A dual-side intake control method and intake system for v-type gas engines	The Company	Invention	PRC	ZL 202011382384.X	December 1, 2040
84.	An engine with heat dissipation and cooling mechanism	The Company	Invention	PRC	ZL 202210232579.9	March 9, 2042
85.	An engine exhaust pipe insulation device	The Company	Invention	PRC	ZL 202210436706.7	April 25, 2042

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No.	Patent name	Patent owner	Type of patent	Place of registration	Registration number	Expiry date
86.	An engine cylinder heat dissipation device	The Company	Invention	PRC	ZL 202210232591.X	March 9, 2042
87.	A diesel generator set for convenient oil replacement	The Company	Invention	PRC	ZL 202210231612.6	March 9, 2042
88.	A new energy power battery heat dissipation device	The Company	Invention	PRC	ZL 202210232548.3	March 9, 2042

Domain name

As of the Latest Practicable Date, we have registered the following domain name which we consider to be material in relation to our business:

No.	Domain Name	Registered Owner	Registration Date
1.	https://www.yuchaicd.com	Company	April 20, 2022

Save as disclosed above, as of the Latest Practicable Date, there were no other trademarks, domains, copyrights, intellectual property rights, or individual property rights which are or may be material in relation to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Service contracts and letters of appointment

Each of our executive Directors and non-executive Directors has entered into a service contract with our Company, and we [have issued] letters of appointment to each of our independent non-executive Directors. The service contracts with each of our executive Directors and non-executive Directors are for an initial fixed term of three years commencing from the date of such agreement. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of one year. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, into a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

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Remuneration of Directors

The aggregate emoluments paid and benefits in kind granted by our Group (including fees, salaries, allowances and other benefits, discretionary bonuses, retirement scheme contributions and equity-settled share-based payments) to our Directors for the years ended December 31, 2023, 2024 and the nine months ended September, 30 2025 were RMB3.7 million, RMB9.4 million, and RMB7.3 million, respectively.

Under the arrangements currently in force, we estimate the aggregate remuneration of our Directors for the year ending December 31, 2025 to be approximately RMB11.8 million.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2023 and 2024, and the nine months ended September, 30 2025, by any of member of our Group to any of our Directors.

Agency fees or commissions paid or payable

Save as disclosed in “[REDACTED]” in this document, no commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries have been granted within two years immediately preceding the issue of this document.

Disclosure of interests

Interests of our Directors and the chief executive

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the interests or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions

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by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are [REDACTED], will be as follows:

Name of Directors and the chief executive	Nature of Interest	As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) ⁽¹⁾	
		Number of the Shares	Approximate percentage of interest in the Company	Number of Shares	Approximate percentage of interest in the Company
Mr. Ning	Interest in controlled corporations ⁽²⁾	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Interest of concert parties ⁽³⁾	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Chen	Interest in controlled corporations ⁽⁴⁾	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Interest of concert parties ⁽⁵⁾	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) All interests are long positions.
- (2) As at the Latest Practicable Date, Yulin Changyingjia is operated and represented by its executive partner, Mr. Ning, an executive Director of our Company. Hence, for the purpose of SFO, Mr. Ning is deemed to be interested in [REDACTED] Shares held by Yulin Changyingjia.
- (3) Pursuant to the acting in concert arrangement among Yulin Changyingjia, Yulin Dayingjia, Yulin Zhongli and GYMCL, Mr. Ning, as the executive partner of Yulin Changyingjia, is deemed to be interested in [REDACTED] shares as interest of concert parties for the purpose of the SFO.
- (4) As at the Latest Practicable Date, Yulin Dayingjia is operated and represented by its executive partner, Mr. Chen, a non-executive Chairman of the Board and non-executive Director of our Company. Hence, for the purpose of SFO, Mr. Ning is deemed to be interested in [REDACTED] Shares held by Yulin Changyingjia.
- (5) Pursuant to the acting in concert arrangement among Yulin Changyingjia, Yulin Dayingjia, Yulin Zhongli and GYMCL, Mr. Chen, as the executive partner of Yulin Dayingjia, is deemed to be interested in [REDACTED] shares as interest of concert parties for the purpose of the SFO.

Interests of the substantial shareholders

Save as disclosed in “Substantial Shareholders” in this document, the Directors are not aware of any other person who will, immediately following the [REDACTED] (and the [REDACTED] of any additional H Shares pursuant to the [REDACTED]), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

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Competing interests of Directors

None of our Directors or his/her respective close associates are interested in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Disclaimers

Save as disclosed in this document:

- (a) none of our Directors nor any of the persons listed in “— OTHER INFORMATION — Qualifications of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors nor any of the persons listed in “— OTHER INFORMATION — Qualifications of Experts” below is materially interested in any contract or arrangement with our Group subsisting at the date of this document which is significant in relation to the business of our Group as a whole;
- (c) save in connection with the [REDACTED], none of the persons listed in “— Other Information — Qualifications of Experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (d) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company’s five largest customers and five largest suppliers for each year or period of the Track Record Period, respectively.

OTHER INFORMATION

Employee Share Incentive Plan

As of the Latest Practicable Date, the two employee share incentive platforms of our Company, namely Yulin Changyingjia and Yulin Zhongli held, in aggregate, 41,675,676 Shares, representing 4.87% of the equity interests in our Company.

The following is a summary of the principal terms of the Employee Share Incentive Plan approved and adopted by our Shareholder’s meeting on June 20, 2024. The terms of the Employee Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules as the Employee Share Incentive Plan does not involve the grant of options or awards by our Company after the [REDACTED]. As of the Latest Practicable Date, the awards under the Employee Share

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Incentive Plan have been fully granted and vested and all grantees have paid their respective amount of subscription price in full. In addition, the underlying Shares under the Employee Share Incentive Plan had already been issued, no new Shares will be issued pursuant to such plans.

See “History, Development and Corporate Structure — Limited Partnership Platforms — Equity Incentive Platforms — Yulin Changyingjia and Yulin Zhongli” in this document for further details of the Employee Share Incentive Plan.

(a) *Objective*

The purpose of the Employee Share Incentive Plan is to, among other, maintain the stability of the Company’s management and key personnel, establish and enhance long-term effective incentives, improve the remuneration and performance assessment system, and strengthen corporate cohesion and market competitiveness.

(b) *Eligibility*

Persons eligible to participate in the Employee Share Incentive Plan (the “**Participants**”) include directors, senior management members and employees of our Company or its subsidiaries who can contribute to the development of our Company.

(c) *Total number of the underlying shares of the incentive plans*

As of the Latest Practicable Date, participants shall be interested in a total of 41,675,676 Shares through holding the limited partnerships in the Yulin Changyingjia and Yulin Zhongli, the underlying Shares of which were corresponding to the share capital of our Company of RMB20.8 million and representing 4.87% of the share capital of our Company in issue immediately prior to the [REDACTED].

(d) *Scheme administration*

The Employee Share Incentive Plan is subject to the approval of our Shareholders and is managed by the our Board, who has the power, among other things, (i) to formulate, revise and implementation of the Employee Share Incentive Plan, and (ii) to determine the grant plan, including the selection of grantees, the number of shares to be granted, etc..

(e) *Lock-up Period and Restrictions on Disposal*

Shares granted under the Employee Share Incentive Plan are subject to a lock-up period (“**Lock-up Period**”), during which they may not be assigned, disposed of, transferred, pledged, gifted, or used as security or to repay debts, nor may any rights attach to such shares be disposed of in any manner. The lock-up period commences on the grant date and ends three years after the date on which the Company’s shares are listed on a domestic or overseas stock exchange. Where the Company has not completed a listing within 10 years from the grant date and is not in the process of a listing upon expiry of that 10-year period, the lock-up period shall be deemed to expire 10 years from the grant date.

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(f) *Withdrawal and Cancellation*

During the Lock-up Period, in the event where the participant’s employment contracts or appointment agreements are terminated for various reasons (excluding the situation of change of employing entities between the Company and its controlled subsidiaries), a party designated by Our Board (“**Designated Party**”) shall have the right (but not the obligation) to require the relevant participant to transfer all of their partnership interests to the Designated Party within 30 days from the date of notice of termination. The transfer price shall be calculated as the 80% of the relevant participants’ share of the Company latest audited net assets value.

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the PRC.

Indemnities

GYMCL have entered into the Deed of Indemnity with and in favor of our Company (for itself and as trustee for the Group) (being the contract referred to in paragraph (e) in “— Further Information About Our Business — Summary of material contracts” in this Appendix) to provide indemnities in respect of, any reasonable costs, charges, expenses, penalties and other liabilities in connection with legal defects of our Leased Land and Main Leased Properties, further details of which are referred to in “Business — Properties” in this document.

Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group, that would have a material and adverse effect on our Group’s results of operations or financial conditions, taken as a whole.

Joint Sponsors

The Joint Sponsors have made an application on our behalf to the [REDACTED] of the Hong Kong Stock Exchange for the [REDACTED] of, and [REDACTED], the H Shares to be [REDACTED] as mentioned in this document. All necessary arrangements have been made enabling the H Shares to be admitted into [REDACTED].

The Joint Sponsors satisfy the independence criteria applicable to the sponsor set out in Rule 3A.07 of the Listing Rules. Pursuant to the engagement letters entered into between our Company and each of the Joint Sponsors, the total fees of the Joint Sponsors payable by us to it in respect of its service as the sponsors in connection with the [REDACTED] on the Hong Kong Stock Exchange is HK\$4,000,000.

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Compliance Advisor

Our Company has appointed Anglo Chinese Corporate Finance, Limited as the compliance advisor upon [REDACTED] in compliance with Rule 3A.19 of the Listing Rules.

Qualifications of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this document, are as follows:

<u>Name</u>	<u>Qualification</u>
China Merchants Securities (HK) Co., Limited	A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
China Galaxy International Securities (Hong Kong) Co., Limited	A licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
JunHe LLP	Legal advisors to our Company as to PRC laws
Frost & Sullivan	Independent industry consultant
King & Wood Mallesons	Legal advisors as to international sanctions law

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters (as the case may be) and the references to their names included in the form and context in which they are respective included.

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

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Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections (44A and 44B) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) so far as applicable.

Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

No Material Adverse Change

Save as disclosed in this document, our Directors confirm that there has been no material adverse change in the financial or trading position of our Company since September 30, 2025 (being the date to which the latest consolidated financial statements of our Group were prepared).

Taxation of Holders of H Shares

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.20% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares.

Preliminary Expenses

We have not incurred any material preliminary expenses.

Promoters

The promoters of our Company are the four shareholders of our Company, namely GYMCL, Yulin Changyingjia, Yulin Dayingjia and Yulin Zhongli. Save as disclosed in the section headed “History, Development and Corporate Structure” in this document, within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [REDACTED] and the related transactions described in this document.

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Miscellaneous

Save as disclosed in this document, within the two years immediately preceding the date of this document:

- (a) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (c) no commissions, discounts, brokerage or other special terms have been granted or agreed to be granted in connection with the issue or sale of any shares or loan capital of our Company or any of our subsidiaries;
- (d) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (e) our Company is not presently listed on any stock exchange or traded on any trading system;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document; and
- (h) our Directors confirm that our Company has no outstanding convertible debt securities or debentures.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar for registration were:

- (a) a copy of each of the material contracts referred to in “Statutory and General Information — Further Information about Our Business — Summary of Material Contracts” in Appendix IV to this document; and
- (b) the written consents referred to in “Statutory and General Information — Other Information — Consents of Experts” in Appendix IV to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.ynchaicd.com during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the audited consolidated financial statements of our Group for the years ended December 31, 2023, 2024 [and 2025];
- (c) the Accountants’ Report from Ernst & Young, the text of which is set out in Appendix I to this document;
- (d) the report from Ernst & Young on the unaudited **[REDACTED]** financial information of our Group as of the text of which is set out in Appendix II to this document;
- (e) the material contracts referred to in “Statutory and General Information — Further Information about our Business — Summary of Material Contracts” in Appendix IV to this document;
- (f) the written consents referred to in “Statutory and General Information — Other Information — Consents of Experts” in Appendix IV to this document;
- (g) the service contracts and letters of appointment referred to in “Statutory and General Information — Further Information about our Directors, Supervisors, Senior Management and Substantial Shareholders — Particulars of Directors’ and Supervisors’ Service Contracts and Appointment Letters” in Appendix IV to this document;
- (h) the legal opinions issued by JunHe LLP, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and property interests of our Group under the PRC law;
- (i) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. referred to in “Industry Overview”;

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